



Oakland Schools

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2006

Waterford, Michigan

plante
m
moran

Comprehensive Annual Financial Report Oakland Schools

**2111 Pontiac Lake Road
Waterford, MI 48328**

**For the Fiscal Year Ended
June 30, 2006**

Board of Education

President	Daniel Share
Vice President	Pan Godchaux
Secretary	Barbara DeMarco
Treasurer	Janet R. Thomas
Trustee	George Ehlert

Superintendent of Schools
Vickie L. Markavitch, Ph.D.

Deputy Superintendent
C. Danford Austin, Ph.D.

Deputy Superintendent, Finance and Operations
Robert F. Moore

Associate Superintendent
Carol Klenow, Ed.D.

Report Prepared by:

John D. Fitzgerald, CMA, CFM, Director of Financial Services

Brian Aprill, CPA, Assistant Director of Financial Services Ericka Olson, Accounts Payable Technician

Karen Combs, Accounts Payable Technician

Claudette Jefferson, Accountant

Karen Warren, Payroll Specialist

Marlene Jenkins, Accountant

Jodi Crandall, Accounts Receivable Technican

Dawn Styma, Project Manager

OAKLAND SCHOOLS
Table of Contents

Introductory Section

Letter of Transmittal	i-ix
ASBO Certificate of Excellence Award	x
Organizational Chart	xi

Financial Section

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11

Basic Financial Statements

Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Governmental Fund Financial Statements:	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Fund Financial Statements:	
Statement of Net Assets	18
Statement of Revenue, Expenses, and Changes in Fund Net Assets	19
Statement of Cash Flows	20
Fiduciary Fund – Statement of Fiduciary Assets and Liabilities	21
Notes to Financial Statements	22-35

Required Supplemental Information

Budgetary Comparison Schedule – General Fund	36
Budgetary Comparison Schedule – Special Education Fund	37
Budgetary Comparison Schedule – Vocational Education Fund	38
Note to the Required Supplemental Information	39

Financial Section (Continued)

Other Supplemental Information

Nonmajor Governmental Funds:	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	41
Schedule of Bonded Indebtedness	42

Statistical Section – Unaudited

Financial Trend Information

Net Assets by Component - Governmental Activities	43
Changes in Governmental Net Assets	44
Fund Balances - Governmental Funds	45
Changes in Fund Balances - Governmental Funds	46

Revenue Capacity Information

Assessed Value and Actual Value of Taxable Property	47
Direct and Overlapping Property Tax Rates	48
Principal Property Taxpayers	49
Property Tax Levies and Collections	50

Debt Capacity Information

Ratio of Outstanding Debt	51
Direct and Overlapping Governmental Activities Debt	52
Legal Debt Margin	53

Demographic and Economic Information

Demographic and Economic Statistics	54
Principal Employers	55

Operating Information

Full-time Equivalent School District Employees	56
Operating Indicators	57
Capital Asset Information	58

Federal Awards Supplemental Information

Issued Under Separate Cover

September 26, 2006



OaklandSchools

2111 Pontiac Lake Road
Waterford, MI 48328-2736
Telephone: 248.209.2000
Facsimile: 248.209.2021
<http://www.oakland.k12.mi.us>

To the Citizens of Oakland County
and the Board Members of Oakland Schools

The Comprehensive Annual Financial Report (CAFR) of Oakland Schools (an intermediate school district) for the fiscal year ended June 30, 2006 is hereby submitted. The Oakland Schools Department of Financial Services prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Oakland Schools (the "District"). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various District funds. All disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the District's administrative organizational chart, and a listing of the elected and top administrative officials of the District. The financial section includes the independent auditor's report, management's discussion and analysis, basic financial statements, required supplementary information, and combined non-major fund financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

A basis for preparing the CAFR for the District was the identification of the financial reporting entity. Potential component units were evaluated to determine whether they should be reported in the District's CAFR. A component unit is considered to be part of the District's reporting entity if it meets the criteria as outlined by the Governmental Accounting Standards Board in Statement No. 14, *The Financial Reporting Entity*. The CAFR includes all District funds and account groups that are controlled or dependent upon the District's Board of Education. There are no component units included in the District's CAFR, and Oakland Schools is not included in any other governmental "reporting entity."

The District

Oakland Schools is one of 57 intermediate school districts (ISDs) established in Michigan more than 40 years ago. ISDs are regional service agencies that offer support services to local school district personnel that are best delivered regionally, as measured by cost, size, and quality advantages. Oakland Schools is an autonomous, tax-supported public school district governed by Michigan General School laws. The District serves 28 local school districts and 20 public school academies, with an enrollment of approximately 205,000 students.

The District's Board of Education members are elected by local school boards and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. The Board of Education is responsible for the selection and appointment of the superintendent, as well as setting policy, developing long-range educational goals, adopting and amending operating budgets, and evaluating school programs.

Economic Condition and Outlook

Oakland Schools and the school districts we support are primarily located in Oakland County, which covers approximately 910 square miles. One of the best measures of economic welfare for a region is per capita income. Oakland County ranks fifth in the nation in per capita income for counties with over 1 million in population. In fact, Oakland County's income per person is more than 50% above the average for both the state and the nation. The short-term difficulties of the county's economy must be put in context with its longer-term outlook. Oakland County remains one of the most prominent local

economies in the nation, with some of the most promising longer-term prospects. It is among the most concentrated in knowledge-based economic activity, which is a good indicator of future economic prosperity. Oakland County's assets provide opportunities to continue diversifying its economy into areas with longer-term growth potential. Oakland County is forecast to add 14,000 jobs over the next three years, continuing the mix of job gains in the service sector and job losses in the manufacturing sector. When the restructuring of the auto industry runs its course, the Oakland economy is expected to grow more rapidly. For more information about Oakland County's economic engine, please visit either www.oakgov.com or www.automationalley.com.

School Finance

Oakland Schools is allocated one-fourth mill (0.25 mill) for general operating purposes from the millage allocation authorized in each Michigan county, in accordance with the State of Michigan constitution. Under the terms of the Tax Limitation Amendment of 1978, this millage is "rolled back" to reflect growth of property valuation above the inflation rate. The property valuations for Oakland County in the last three years have increased by more than 3% annually, which was greater than the rate of inflation for each of those years. For fiscal year ended June 30, 2006, the District's General Fund operating levy was .2003 mills.

The District is legally permitted to seek voter approval to fund special education and vocational education programs. The voters have authorized special education tax levies totaling one and three-fourths mills (1.75 mills) and a vocational education tax of one-half mill (0.50 mills), all of which have been "rolled back" under the terms of the Tax Limitation Amendment of 1978. On September 25, 2001, the voters authorized an additional tax levy for both special education (1.1704 mills) and vocational education (0.2279 mills). The District's special education and vocational education total levies for the fiscal year ended June 30, 2006 were 2.5456 mills and .6231 mills, respectively, after application of millage roll-back rules.

Major Initiatives

Mission

Our mission statement has been adopted by the District's Board of Education, following its development by a group of representative staff members using input from a wide variety of sources:

"The mission of Oakland Schools is to pursue equity and excellence in education through quality service and leadership."

To support the mission, the Board of Education has formally adopted a continuous improvement plan for Oakland Schools. The focus of the plan is to:

- Increase student achievement
- Serve the diverse needs of schools
- Decrease costs and increase efficiencies

The goals of the continuous improvement plan, as adopted, are:

- Consulting services, professional development, and instructional resources provided to Oakland County schools and districts will contribute to improved student achievement.
- Consolidation and regionalization of services will maximize resources and improve cost efficiencies for local school communities in the areas of business, operations, professional development, and instructional resources.

- Technical assistance from Oakland Schools will result in schools and districts meeting state and federal compliance requirements.
- Employee satisfaction with our work environment will improve, leading to a more positive and productive environment.
- Standard operating procedures will be established and consistently applied to drive how business is done at Oakland Schools.
- Organizational resources, including financial, material, facility, and human resources will be allocated efficiently and effectively to support Oakland Schools' priorities and goals.

Oakland Schools strives to promote equity and excellence in education throughout the District. We do this through quality service and leadership. We explore, experiment, and model ideas to improve education and enhance teaching skills through discovery and practice. We understand that our role as an ISD is to support student achievement in our constituent districts. We meet this responsibility through our professional and curricular development programs, development and implementation of regional best practices and operating efficiencies, and our monitoring and compliance activities.

Examples of current programs, initiatives, and support systems that serve our constituent school districts follow:

No Child Left Behind (NCLB) Initiative

The *No Child Left Behind Act of 2001* (NCLB) is a landmark in education reform designed to improve student achievement and change the culture of America's schools. Passed with overwhelming bipartisan support from Congress, the law was signed by President George W. Bush on January 8, 2002. With the passage of *No Child Left Behind*, Congress reauthorized the *Elementary and Secondary Education Act* (ESEA), - the principal federal law affecting education from kindergarten through high school. In amending ESEA, the new law represents a sweeping overhaul of federal efforts to support elementary and secondary education in the United States. It is built on four common-sense pillars:

- Accountability for results
- An emphasis on doing what works based on scientific research
- Expanded parental options
- Expanded local control and flexibility

Oakland Schools is providing a variety of services through a coordinated NCLB strategy for our constituent districts. Staff has provided countless presentations to local school boards, central office staff, building principals, and teachers first to become aware of the legislation and then to assist them in implementing the requirements of the law.

Pearson Benchmark and Inform Initiative

The Benchmark and Inform initiative is the implementation of a comprehensive web-based tool that allows teachers and administrators to take multiple measures of student performance against standards at any time throughout the school year. With data collected over time, they can monitor student progress against standards, address deficiencies, and recheck mastery. Teachers and administrators using the new process will also have access to test items that are aligned with local district and state standards.

Collaborative Program Development Initiative (CPDI)

The purpose of the CPDI project is to enhance the academic achievement of Oakland ISD students by supporting collaborative instructional programs that can potentially serve students in all Oakland ISD constituent school districts. Areas of interest are:

- Accelerated instructional programs
- Magnet school programs
- Alternative educational programs

Early Childhood Programming Expansion

The Early Childhood Department supports parents, community agencies, and preschools as they work together to ensure all children reach kindergarten ready to learn and eager to succeed. Children who enter kindergarten lacking critical early literacy and behavioral skills are unlikely to read at grade level by the end of third grade, a time after which children who are behind rarely catch up. (Dr. J. Firestone, Director of Early Childhood, Oakland Schools) The department provides consulting services, professional development, and instructional resources to early elementary teachers that are designed to improve early achievement, especially in the area of literacy. In addition, Oakland Schools has begun its planned expansion of its Early Childhood Literacy, Preschool, and Behavioral programming.

- The Early Childhood Literacy program has the responsibility for increasing the percentage of children reading on grade level in the third grade. Consultants will work with kindergarten through third grade (K-3) teachers to improve the quality of research based reading instruction in every classroom as well as assisting buildings to implement organizational frameworks, such as the 3 Tier Reading Framework, to meet the instructional and intervention needs of all K-3 students.
- The Early Childhood Preschool program will assist district (and community) preschools in understanding and implementing Michigan Department of Education's recently adopted Standards of Quality and Child Expectations for Preschool Programs. Consultants will have the responsibility for helping preschool programs improve children's school readiness, particularly in the area of literacy and assist districts in the alignment of pre-kindergarten and kindergarten programs and practices.
- The Early Childhood Behavior program provides behavioral consultation for children from birth to five at risk for expulsion from preschool. Consultants will also assist preschool and early primary teachers in implementing research-based social skills development programs and in developing safe and positive classroom climates in which all children can reach their academic potential.

Special Education Services

The Oakland Schools Special Education Department is committed to the education of students with disabilities in the general education environment with naturalized support services. We adhere to the premise that there is one curriculum for all students and, with proper modification and accommodations, all children can learn. We have elected to demonstrate this belief by our alignment with the School Quality, Learning Services, and Early Childhood departments of Oakland Schools to:

- Develop and model a unified system of service delivery
- Establishment and support of regional service areas in the County
- The efficient application and deployment of our staff
- Continuous improvement in the instructional outcomes for students in the County

Through the establishment of common tools and knowledge among Oakland Schools' constituents, the provision of services in a Regional Support model may be realized. Integral knowledge of accreditations standards, teaching methodologies, and early intervention strategies, will better equip the special education unit staff to support the students, parents, and districts we serve.

Career Focused Education

The vision driving Oakland Schools' Career Focused Education (CFE) is to have our students be the highest achieving in the world. Oakland Schools operates four technical campuses serving over 2,700 students throughout the County. Oakland Schools has built and continuously improves a learning system that guides students in:

- Making informed career preparation decisions
- Developing academic, technical, and workplace knowledge
- Skills and preparing them to compete effectively in the job market

Leaders from the community, business and industry, government, and education serve as key stakeholders in Career Focused Education efforts to develop and deploy career development programs that align with the region's workforce needs. During the school year, significant progress was made in advancing CFE's mission, most notably through:

- Continued renovations to the facilities and program offerings at all four Oakland Schools technical campuses
- Regional alignment of career awareness activities, training, and partnerships
- Maintained ISO registration for all four technical campuses

Oakland Network for Education (ONE)

ONE is a district-wide 311-mile fiber-optic network that benefits all Oakland ISD students and educators through its economy of scale and services. It is a comprehensive network designed to bring significantly enhanced educational opportunities to the students of Oakland Schools' constituent districts.

ONE provides services through advanced voice, video, and data network infrastructure in order to build a stronger learning community within the Oakland Schools boundaries. For example, lower-cost local, zone, and long-distance telephone access through collaborative bids; high-speed Internet access to meet the growing needs of Oakland ISD educators; and connectivity to the community through a Web presence. ONE will provide the following benefits to students: opportunities for all students to access the technological and academic skills necessary for the 21st century; college courses for high school students at their local high school; field experts to work with students; virtual field trips to leading cultural institutions; and video on demand for instruction.

Capital Projects Fund - Construction and Renovation Projects

The District continued the planning for the phase-two renovation projects associated with the four Oakland Schools Technical Campuses. The final results, upon the completion of the renovations, will be four world-class technical campuses. This renovation and addition project is a multi-year effort with anticipated expenditures of \$63.2 million. Construction activities are scheduled to begin in early calendar year 2007 and be completed in the autumn of calendar year 2008. Those areas of the buildings not renovated in the phase one of the projects completed in calendar year 2003 will be renovated under this plan. In addition, site improvements and upgrades to facilities to meet current codes are included in the scope of these projects.

Risk Related Activity Fund Formation, Implementation, and Operation

In fiscal year 2005-06, Oakland Schools put into place the basic structure of an Internal Service Fund titled the Risk Related Activity Fund (RRAF). The Risk Related Activity Fund is categorized in governmental accounting as an Internal Service Fund and is authorized under Governmental Accounting Standards Board (GASB) Statements Number 10 and 30. The goal of this fund is to provide administration with a risk management tool. The initial establishment of this fund was limited to accounting primarily for compensated absences. Several different "risk activities" that the District now manages will be included in this fund in the future. These include, but are not limited to, health insurance, dental insurance, life insurance, vision insurance, workers' compensation insurance, unemployment insurance, property and casualty, general liability, fleet insurance, safety (loss prevention) and wellness programs, and short- and long-term disability insurance. We have been working closely with the Michigan Department of Education and our auditors during the formation and implementation phase of this fund and will continue to do so as the scope of the fund is expanded. We believe the application and operation of this risk management tool will be of significant benefit to our District.

Financial Information

Accounting Systems

The District's fund level financial statements and government-wide financial statements for our governmental and Agency Fund types have been prepared in conformance with generally accepted accounting principles and are in compliance with Government Accounting Standards Board Statement No. 34. Governmental fund-level statements are prepared on the modified accrual basis of accounting. The revenues are recognized when measurable and available to finance current operations. Expenditures are recognized when the liability is incurred, generally when the goods or services are received, except for interest on long-term debt, which is recorded when paid. With respect to the government-wide financial statements, the full accrual basis is applied as defined under GASB Statement No. 34.

In developing and evaluating the District's financial information system, consideration is given to the adequacy of the internal accounting and administrative control structure and the costs thereof. Accounting and administrative controls comprise the plan of organization, procedures, and records necessary for the safeguarding of assets, the reliability of financial records, and compliance with grant requirements. The expressed purpose is to provide reasonable assurance that:

- Transactions are in accordance with management's and grantors' general or specific authorization
- Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and other criteria (such as finance-related legal and contractual compliance requirements) and to maintain accountability for assets
- Access to assets is permitted only in accordance with Board of Education appropriations, financial policies, and management's authorization
- The recorded accountability for assets is compared with the existing assets at reasonable intervals, and appropriate action is taken with respect to any differences

Accounting and administrative controls comprehend reasonable, but not absolute, assurance that the objectives expressed will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of an internal control structure should not exceed the benefits expected.

Budgetary Controls

The District maintains both accounting and budgetary controls. The objectives of budgetary control are to ensure compliance with legal provisions as embodied in and adopted in the annual Appropriation Budget approved by the Board of Education. Governmental Fund types are under formal budgetary control. Activities of the General and Special Revenue funds are included in the annual Appropriated Budget. Project-length financial plans are adopted for the Capital Project Funds.

The Board of Education established the legal level of control as presented in the fund financial statements. The Board of Education is authorized to make amendments to the budget as it deems necessary. The District also maintains an encumbrance accounting system as a method of budgetary control. Amounts encumbered at year end are re-appropriated as part of the following year's budget. Detailed operating information on a per fund basis can be found in the management's discussion and analysis section of the CAFR.

Fund Balance

A portion of the District's governmental fund type fund balances is unreserved; however, certain amounts may be reserved for contingencies and special projects. The remaining unreserved fund balance remains undesignated.

Cash Management

The District's cash and investments are administered under guidelines that are in accordance with the State of Michigan statutes. The District's cash management practices enable the maximization of its interest earnings while minimizing the risk of loss of invested principal. The District does not engage in derivative trading. Investments are held in the District's name and are in U.S. Treasury obligations, certificates of deposit, and investment pools, as authorized by Michigan Compiled Laws. State law requires the use of in-state banks that are members of the FDIC and does not allow the District to collateralize bank investments. A prudent daily review and analysis of the cash flow needs provides additional investment revenue not only to both the General Fund and the Special Revenue Funds, but also to all other funds of the District, which have cash resources available.

Debt Administration

Long-term obligations outstanding for the District as of June 30, 2006 consisted of \$9,115,000 in bonded debt and of \$1,718,806 of accrued sick and vacation obligations.

Risk Management

The District's management is charged with the responsibility of supervising the protection of the District's assets by employing various risk management techniques and procedures to reduce, absorb, minimize, or transfer risk. The District carries insurance for general liability and auto liability. District property is insured for its replacement value. Management is also responsible for directing the District's fringe benefits program, which includes the administration of health, life, and other benefits for all full-time and some part-time employees.

Retirement Plan

All employees of the District are covered by a mandatory, cost-sharing, multiple-employer plan - the Michigan Public School Employees, Retirement System (MPERS).

The plan provides its members, under two member investment plans and a basic plan, various benefits that vest after 10 years of service, including regular retirement, early retirement, deferred retirement, non-duty disability pension, duty disability pension, and survivor pension.

Benefit and contribution provisions are fixed by state statute and may be amended only by action of the state legislature.

Other Information and Acknowledgments

Independent Audit

Michigan law requires an annual audit of the District's basic financial statements. The District's Board of Education engaged Plante & Moran, PLLC for this purpose. The independent auditor's opinion has been included in this report.

The basic financial statements are the responsibility of the District. The responsibility of the independent auditors is to express an opinion on the financial statements that collectively comprise the District's basic financial statements based upon their audit, which is conducted in accordance with generally accepted accounting standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that the audit be planned and performed in a manner to obtain reasonable assurance that the basic financial statements are free of material misstatement.

OMB Circular A-133 Audit

As a recipient of federal and state grants, the District is responsible for ensuring that an adequate internal and administrative control structure is in place and compliance with applicable laws and regulations is maintained. To ascertain the level of such compliance, the District has an audit performed in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Certificate of Excellence in Financial Reporting

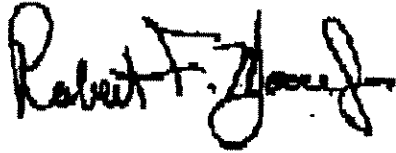
The District is committed to providing its citizens and other users with comprehensive financial reporting. For school districts meeting the requirements of a comprehensive annual report, the Association of School Business Officials International (ASBO) awards a Certificate of Excellence in Financial Reporting. The ASBO awarded a Certificate of Excellence in Financial Reporting to Oakland Schools for its Comprehensive Annual Financial Report (CAFR) for the following fiscal years: 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2002-03, 2003-04, and 2004-05. Due to unforeseen circumstances, the Comprehensive Annual Financial Report (CAFR) for fiscal year 2001-02 was not completed in time to file for a seventh consecutive Excellence in Financial Reporting award review. In order to be awarded a Certificate of Excellence, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. Comprehensive Annual Financial Reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. The District believes our current report continues to conform to the Certificate of Excellence program requirements, and we are submitting our report to ASBO.

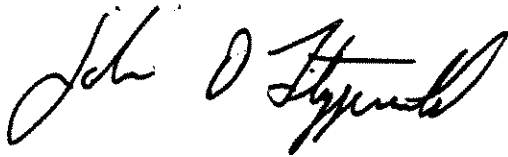
Acknowledgments

The preparation of this CAFR was accomplished through the commitment and dedication of Oakland Schools' Department of Financial Services. Management wishes to thank each member of the team for his or her contribution to the completion of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert F. Moore Jr.", written in a cursive style.

Robert F. Moore Jr.
Deputy Superintendent

A handwritten signature in black ink, appearing to read "John D. Fitzgerald", written in a cursive style.

John D. Fitzgerald, CMA, CFM
Director of Financial Services

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

OAKLAND SCHOOLS

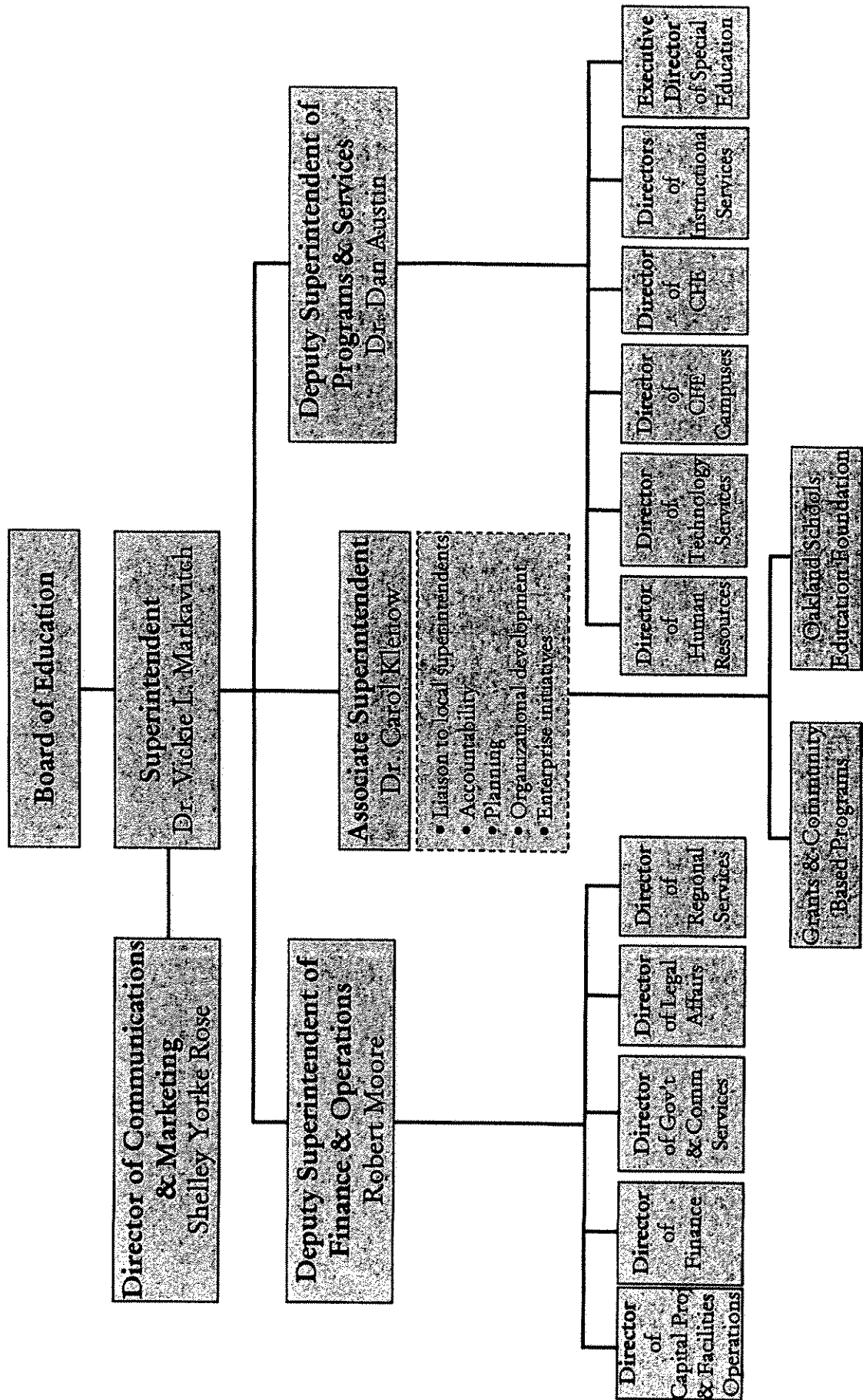
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Oakland Schools Organizational Chart



Independent Auditor's Report

To the Board of Education
Oakland Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakland Schools as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oakland Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oakland Schools as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oakland Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Education
Oakland Schools

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 26, 2006 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

September 26, 2006

OAKLAND SCHOOLS

Management's Discussion and Analysis

This section of Oakland Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Oakland Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund, the Special Education Fund, the Vocational Education Fund, and the CFE Renovations Capital Project Fund - with all other funds presented in one column as nonmajor funds. One of the remaining statements, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The other remaining statements regarding, the Proprietary (Internal Service) Fund, account for certain employee-compensated absences provided to other funds of the District on a cost-reimbursement basis as well as providing a reserve for future insurance liabilities. Below is an outline of the financial and statistical information provided.

Financial Section

- Basic Financial Statements
 - Government-wide Financial Statements
 - Governmental Fund Financial Statements
 - Proprietary (Internal Service) Fund Statements
 - Fiduciary Fund Financial Statements
 - Notes to Financial Statements
- Required Supplemental Information
 - Budgetary Comparison Schedules for Major Funds
 - Notes to the Required Supplemental Information
- Other Supplemental Information
 - Combining Nonmajor Fund Financial Statements
 - Schedule of Bonded Indebtedness

Statistical Section

- Demographic and Statistical Information

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

The School District as a Whole

The statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2006 and 2005.

TABLE I

	Governmental Activities (in millions)		Percent Change
	2006	2005	
Assets:			
Current and other assets	\$ 89.1	\$ 68.3	30.5%
Capital assets	55.4	53.4	3.7%
Total assets	<u>144.5</u>	<u>121.7</u>	18.7%
Liabilities:			
Current liabilities	20.3	13.8	47.1%
Long-term liabilities	9.7	10.6	-8.5%
Total liabilities	<u>30.0</u>	<u>24.4</u>	23.0%
Net assets:			
Invested in capital assets, net of related debt	46.2	43.3	6.7%
Restricted	55.8	44.3	26.0%
Unrestricted	12.5	9.7	28.9%
Total net assets	<u>\$ 114.5</u>	<u>\$ 97.3</u>	17.7%

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table II) of the School District's governmental activities is discussed below. The School District's net assets were \$114.5 million at June 30, 2006. Net assets invested in capital assets, net of related debt, totaled \$46.2 million. This compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$55.8 million are reported separately to show legal constraints from voter-approved ballot language covenants, commitments to capital projects, and debt service as well as enabling legislation that limit the School District's ability to use those net assets for general day-to-day operations. The remaining amount of net assets, \$12.5 million, was unrestricted.

The \$12.5 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' General Fund operations. The \$55.8 million of restricted net assets represents the accumulated results of all past years' Special Education, Vocational Education, Capital Projects and Debt Service Fund operations. The restricted and unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties in their respective funds. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The increase in the District's total net assets was driven by the planned accumulation of fund balance in the CFE Campus Renovations Capital Projects Fund. The increase in net assets invested in capital assets is a reflection of the capitalization of construction in progress (CIP) associated with the renovations plus other asset acquisitions less accumulated depreciation in fiscal year 2005-06. The increase in total liabilities is primarily due to the timing of current liabilities related to grant subrecipient payments, operational functions, and payments on debt. The total net assets of the School District have increased by 17.7%. The School District continues to actively manage its operating costs as demonstrated in the cost information listed below.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

The results of this year's operations for Oakland Schools as a whole are reported in the statement of activities (see Table II), which shows the changes in net assets for the years ended June 30, 2006 and 2005.

TABLE II

	Governmental Activities (In millions)		Percentage Change
	2006	2005	
Revenue:			
Program revenue:			
Charges for services	\$ 10.2	\$ 4.7	117.0%
Operating grants	60.6	58.0	4.5%
General revenue:			
Property taxes	195.3	187.5	4.2%
State aid	7.1	6.1	16.4%
Other	5.1	2.3	121.7%
Total revenue	<u>278.3</u>	<u>258.6</u>	7.6%
Functions/program expenses:			
Special education	1.1	1.7	-35.3%
Vocational education	12.4	12.3	0.8%
Other instruction	-	0.4	-100.0%
Pupil support services	8.7	7.7	13.0%
Instructional support services	16.0	14.9	7.4%
General administrative services	5.0	4.0	25.0%
Business support services	3.5	2.7	29.6%
Operation and maintenance services	4.7	4.9	-4.1%
Pupil transportation services	0.4	0.4	0.0%
Central support services	11.0	9.9	11.1%
Community services	5.6	6.6	-15.2%
Facilities improvements and acquisitions	-	1.3	-100.0%
Debt service	0.3	0.4	-25.0%
Depreciation - Unallocated	2.8	2.8	0.0%
Transfers to local districts	189.6	183.2	3.5%
Total functions/program expenses	<u>261.1</u>	<u>253.2</u>	3.1%
Change in net assets	17.2	5.4	218.5%
Net assets - Beginning of year	97.3	91.9	5.9%
Net assets - End of Period	<u>\$ 114.5</u>	<u>\$ 97.3</u>	17.7%

As reported in the statement of activities, the cost of all governmental activities this year was \$261.1 million. Certain activities were partially funded from those who benefited from the programs (\$10.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$60.6 million). The remaining "public benefit" portion of governmental activities was funded with \$195.3 million in taxes, \$7.1 million in state aid, and \$5.1 million from other revenues, such as interest.

Total revenue increased 7.6% due to the growth in the School District's tax base, resulting in increased property tax revenue, plus growth in investment, program, and the state aid revenues.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

Total expenses increased by 3.2%. Considering that the School District's healthcare and retirement costs grew at a rate of 11.5% in fiscal year 2005-06, the School District's current budgetary and operational strategies for cost control have been successful in minimizing the rate of expenditure growth.

As a result of these transactions, Oakland Schools experienced an increase in net assets of \$17.2 million in fiscal year 2005-06.

As discussed above, the net cost shows the financial burden that was placed on the State and Oakland Schools' taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted revenues.

Oakland Schools' Funds - Overview

As noted earlier, Oakland Schools uses different funds to help it control and manage money for particular purposes. Looking at the funds helps the reader consider whether Oakland Schools is being held accountable for the resources taxpayers and others provide to it and may give more insight into Oakland Schools' overall financial health.

As Oakland Schools completed this year, the governmental funds reported a combined fund balance of \$66.4 million, an increase of \$10.8 million from the prior year. The changes, by major and nonmajor funds, are as follows:

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Vocational Education Fund</u>	<u>CFE Campus Renovations Capital Projects</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
Fund balance – Beginning of year	\$ 10,572,559	\$ 13,734,656	\$ 29,625,300	\$ —	\$ 1,670,407	\$ 55,602,922
Increase (decrease)	<u>1,723,511</u>	<u>6,596,204</u>	<u>(12,039,375)</u>	<u>15,576,411</u>	<u>(1,018,030)</u>	<u>10,838,721</u>
Fund balance – End of year	<u>\$ 12,296,070</u>	<u>\$ 20,330,860</u>	<u>\$ 17,585,925</u>	<u>\$ 15,576,411</u>	<u>\$ 652,377</u>	<u>\$ 66,441,643</u>

Additional information regarding changes in the General, Special Education, and Vocational Education Funds is explained in the pages which follow.

General Government Functions

The following schedules provide additional operating detail on three of the School District's major funds.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

General Fund

The following schedule presents a summary of General Fund revenues and other financing sources for the fiscal year ended June 30, 2006, and the amounts and percentage of increases and decreases are in relation to prior year amounts.

Revenues and Other Financing Sources	FY 2006 Amount	% of Total	Increase (Decrease) from FY 2005	% Increase (Decrease)
Local sources	\$ 23,002,336	77.51%	\$ 7,551,691	48.88%
State sources	5,612,970	18.91%	(4,106,889)	-42.25%
Federal sources	1,062,508	3.58%	(133,876)	-11.19%
Total revenues and other financing sources	<u>\$ 29,677,814</u>	<u>100.00%</u>	<u>\$ 3,310,926</u>	12.56%

Total revenues have increased by 12.56%. Local revenues increased by \$7,551,691 as compared to fiscal year 2005. The increase in local source revenues and the decrease in state source revenues reflects a presentation reclassification of revenues generated by our Medicaid reimbursement operations from the state sources to local sources category as compared to the prior year, as required by the State of Michigan accounting manual. Revenues generated by our Medicaid reimbursement operations increased by 1.71% over prior year's revenues.

The following schedule presents a summary of General Fund expenditures and other financing uses for the fiscal year ended June 30, 2006, and the amount and percentage of increases and decreases in relation to prior year amounts.

Expenditures and Other Financing Uses	FY 2006 Amount	% of Total	Increase (Decrease) from FY 2005	% of Increase (Decrease)
Instructional services	\$ 2,954	0.01%	\$ (396,265)	-99.26%
Support services - Pupil	129,741	0.46%	98,482	315.05%
Support services - Instructional staff	8,110,629	29.01%	1,370,941	20.34%
Support services - General admin	1,303,804	4.66%	416,524	46.94%
Support services - Business services	1,901,502	6.80%	653,075	52.31%
Operations and maintenance	888,402	3.18%	(33,702)	-3.65%
Pupil transportation	216,980	0.78%	11,238	5.46%
Support services - Central	6,898,494	24.68%	873,332	14.49%
Community services	759,049	2.72%	(4,179)	-0.55%
Capital outlay	513,585	1.84%	513,585	100.00%
Interdistrict transfers and other	7,229,163	25.86%	882,849	13.91%
Total expenditures and other financing uses	<u>\$ 27,954,303</u>	<u>100.00%</u>	<u>\$ 4,385,880</u>	18.61%

The General Fund's expenditures increased 18.61% for the fiscal year. The growth in the General Education Fund's expenditures reflect the planned expansion of several key student performance supporting programs in the District's technology, learning services, and school quality departmental operations plus an increase in transfers out to the local districts.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

Special Education Funds

The following schedule presents a summary of Special Education Fund revenues for the fiscal year ended June 30, 2006, and the amounts and percentage of increases and decreases in relation to prior year amounts.

Revenue and Other Financing Sources	FY 2006 Amount	% of Total	Increase (Decrease) from FY 2005	% of Increase (Decrease)
Local sources	\$ 152,134,756	75.20%	\$ 9,068,578	6.34%
State sources	5,939,807	2.94%	(789,582)	-11.73%
Federal sources	43,966,939	21.73%	4,155,013	10.44%
Other financing sources	252,339	0.12%	(1,965,579)	-88.62%
Total revenues and other financing sources	<u>\$ 202,293,841</u>	<u>100.00%</u>	<u>\$ 10,468,430</u>	<u>5.46%</u>

Total revenues have increased by 5.46%. The increases in local source revenues are due to the growth in the ISD's tax base, which resulted in an increase in tax revenues and an increase in investment revenues. The increase in federal source revenue is the result of an increase in grant awards, particularly the IDEA grants and is also impacted by the timing of expenditures under the program. The decrease in fiscal year 2005-06 other financing sources revenue compared to fiscal year 2004-05 reflects the "one-time" nature of an operating transfer into the fund that occurred in fiscal year 2005, which represented the return of dollars previously transferred from the Special Education Fund to the Capital Projects Fund.

The following schedule presents a summary of Special Education Fund expenditures and other financing uses for the fiscal year ended June 30, 2006, and the amount and percentage of increases and decreases in relation to prior year amounts.

Expenditures and Other Financing Uses	FY 2006 Amount	% of Total	Increase (Decrease) from FY 2005	% of Increase (Decrease)
Instructional services	\$ 1,196,066	0.61%	\$ (478,107)	-28.56%
Support Services - Pupil	7,164,096	3.66%	1,125,830	18.64%
Support services - Instructional staff	5,261,628	2.69%	(235,188)	-4.28%
Support services - General admin	618,809	0.32%	154,972	33.41%
Support services - Business services	832,171	0.43%	79,909	10.62%
Operations and maintenance	805,648	0.41%	(178,551)	-18.14%
Pupil transportation	26,361	0.01%	7,312	38.39%
Support services - Central	2,186,107	1.12%	391,945	21.85%
Community services	1,288,048	0.66%	(1,313,313)	-50.49%
Capital outlay	182,916	0.09%	182,916	100.00%
Interdistrict transfers and other	176,135,787	90.00%	2,329,075	1.34%
Total expenditures and other financing uses	<u>\$ 195,697,637</u>	<u>100.00%</u>	<u>\$ 2,066,800</u>	<u>1.07%</u>

Total special education expenditures increased by 1.07% for the year. Expenditure increases are a normal anticipated part of the programs that comprise the Special Education Fund's operations. Operating expenditures were contained as a result of planned budget reduction measures implemented during the fiscal year.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

Vocational Education Funds

The following schedule presents a summary of Vocational Education Fund revenues for the fiscal year ended June 30, 2006, and the amounts and percentage of increases and decreases in relation to prior year amounts.

Revenues	FY 2006 Amount	% of Total	Increase (Decrease) from FY 2005	% of Increase (Decrease)
Local sources	\$ 38,766,631	87.23%	\$ 2,775,291	7.71%
State sources	1,610,789	3.62%	72,452	4.71%
Federal sources	4,063,518	9.14%	(918,154)	-18.43%
Total revenues	<u>\$ 44,440,938</u>	<u>100.00%</u>	<u>\$ 1,929,589</u>	4.54%

Total revenues have increased by 4.54%. The increases in local source revenues are due to the growth in the ISD's tax base, which resulted in an increase in tax revenues plus an increase in investment revenues. The change in state source revenues reflects an increase in grant funding. The decrease in federal revenues is caused by a decline in federal grants.

The following schedule presents a summary of Vocational Education Fund expenditures and other financing uses for the fiscal year ended June 30, 2006, and the amount and percentage of increases and decreases in relation to prior year amounts.

Expenditures and Other Financing Uses	FY 2006 Amount	% of Total	Increase (Decrease) from FY 2005	% of Increase (Decrease)
Instructional services	\$ 12,601,108	22.31%	\$ 330,089	2.62%
Support services - Pupil	1,612,537	2.86%	(71,200)	-4.42%
Support services - Instructional staff	3,117,243	5.52%	437,915	14.05%
Support services - General admin	3,102,992	5.49%	412,333	13.29%
Support services - Business services	802,429	1.42%	138,494	17.26%
Operations and maintenance	3,230,168	5.72%	228,317	7.07%
Pupil transportation	107,819	0.19%	(24,077)	-22.33%
Support services - Central	2,446,086	4.33%	356,367	14.57%
Community services	3,569,618	6.32%	314,622	8.81%
Capital outlay	1,474,501	2.61%	1,474,501	100.00%
Interdistrict transfers and other	24,415,812	43.23%	19,968,202	81.78%
Total expenditures and other financing uses	<u>\$ 56,480,313</u>	<u>100.00%</u>	<u>\$ 23,565,563</u>	41.72%

Total vocational education expenditures increased by 41.72% for the year. During the year, the Vocational Education Fund incurred a \$16.9 million transfer to the newly created CFE Campus Renovation Capital Projects Fund representing partial funding of the planned campus renovation projects.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

The District's nonmajor funds consist of the General Fund, Capital Projects Fund, Special Education Capital Projects Fund, Vocational Education Capital Projects Fund, the AMS Technology Capital Projects Fund, AMS Technology Bond Debt Service Fund, and the 2003 Bond Debt Service Fund. The combined fund balance decreased by \$1.0 million. The combined fund balance is \$0.65 million.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted in February 2006. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were revisions made to the 2005-2006 General Fund's original budget. In the General Fund, budgeted revenues increased by \$4,668,000, primarily for changes in local source revenue. Budget expenditures increased by \$2,436,400. The primary expenditure budget increase occurred primarily in the interdistrict transfers budget line category. The School District continued to execute its planned budget restructuring and resource reallocation strategy for the year ended June 30, 2006 after the original budget was approved.

Actual total revenues for the year ended June 30, 2006 were below the final amended budget by \$476,011. Actual total expenditures for the year ended June 30, 2006 were \$3,814,022 lower than the final amended budget. A primary cause for the variance between actual and budgeted expenditures was the timing delay that occurred in two key project timelines. Both projects are central to the District's focus on technology and curriculum-based classroom assessment and continue to be worked on by the District.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, Oakland Schools had \$55.4 million invested in a broad range of capital assets, including land, building, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$2.0 million from last year.

	<u>2006</u>	<u>2005</u>
Land	\$ 3,992,143	\$ 3,992,143
Construction in progress	4,186,916	—
Buildings and building improvements	44,821,201	44,672,176
Furniture, equipment, and vehicles	19,751,217	19,314,773
Accumulated depreciation	(17,393,673)	(14,631,132)
Total capital assets	<u>\$ 55,357,804</u>	<u>\$ 53,347,960</u>

This year's increase of \$2.0 million (net of depreciation) included additions of \$4.8 million related to building renovations and equipment for the administration building and the four vocational campuses. We present more detailed information about our capital assets in Note 5 to the financial statements.

OAKLAND SCHOOLS

Management's Discussion and Analysis (Continued)

Debt

At June 30, 2006, Oakland Schools had \$9.1 million in outstanding general obligation bonded debt. The State limits the amount of general obligation debt that Intermediate School Districts can issue to one-ninth of 1.0% of the state assessed value (SEV) of all taxable property within the district's boundaries unless the question of borrowing money or issuing bonds is submitted first to a vote of the school electors and approved by a majority of registered school electors. The School District's outstanding general obligation debt is significantly below the statutorily imposed limit.

Other obligations primarily include accrued vacation pay and sick leave. We present more detailed information about our long-term liabilities in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's June 30, 2007 fiscal budget. One of the most important factors affecting the budget is the economic condition of the State of Michigan. The June 30, 2007 budget was adopted in June 2006, based on an estimate of property tax revenues, state aid, and grant funding. State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. Since the School District's revenue is partially dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriations to school districts. In the recent past, the State of Michigan has issued several executive orders prorating and reducing, mid-year, the State's funding commitment to the District. This possibility continues to exist for fiscal year 2006-07. The extent to which possible funding prorating by the State of Michigan and how it affects Oakland Schools' budget has yet to be determined. Oakland Schools' unreserved, undesignated fund balance in the General Fund of \$6,336,251, Special Education Fund of \$6,793,897, and Vocational Education Fund of \$6,414,801 is sufficient to meet any unanticipated shortfalls the State may experience in the School Aid Fund.

Contacting the School District's Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Department of Financial Services at 2111 Pontiac Lake Road, Waterford, Michigan 48328.

OAKLAND SCHOOLS

Statement of Net Assets

June 30, 2006

Assets		Governmental activities
Current assets:		
Cash and cash equivalents (Note 3)	\$	71,098,606
Receivables (Note 4)		17,605,114
Inventories		114,379
Prepaid expenditures		284,965
Total current assets		89,103,064
Noncurrent assets (Note 5):		
Capital assets, less accumulated depreciation of \$17,393,673		55,357,804
Total assets		144,460,868
Liabilities		
Current liabilities:		
Accounts payable		14,820,837
Accrued payroll and related liabilities		2,237,517
Deferred revenue		2,079,652
Bonds payable due within one year (Note 7)		930,000
Compensated absences due within one year (Note 7)		171,881
Total current liabilities		20,239,887
Noncurrent liabilities (Note 7):		
Bonds payable due in more than one year		8,185,000
Compensated absences due in more than one year		1,546,925
Total noncurrent liabilities		9,731,925
Total liabilities		29,971,812
Net Assets		
Invested in capital assets, net of related debt		46,242,804
Restricted for:		
Special education		20,379,108
Vocational education		19,101,588
Capital projects		16,226,066
Debt service		2,722
Unrestricted		12,536,768
Total net assets	\$	114,489,056

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Statement of Activities

Year ended June 30, 2006

Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	
Primary government:				
Governmental activities:				
Instruction:				
Special education	\$ 1,121,344	\$ —	\$ 49,984	\$ (1,071,360)
Vocational education	12,369,364	456,686	3,126,452	(8,786,226)
Other instruction	2,954	—	—	(2,954)
Total instruction	13,493,662	456,686	3,176,436	(9,860,540)
Support services:				
Pupil	8,745,458	—	718,178	(8,027,280)
Instructional staff	16,005,570	—	8,825,946	(7,179,624)
General administration	4,951,167	—	7,316	(4,943,851)
Business services	3,454,913	794,287	—	(2,660,626)
Operations and maintenance services	4,651,795	37,642	22,130	(4,592,023)
Pupil transportation	344,906	207,511	—	(137,395)
Central	11,053,497	3,719,277	123,592	(7,210,628)
Community services	5,616,715	36,000	3,423,725	(2,156,990)
Capital outlay	—	—	—	—
Interest on long-term debt	320,453	—	—	(320,453)
Depreciation - Unallocated	2,811,688	—	—	(2,811,688)
Total support services	57,956,162	4,794,717	13,120,887	(40,040,558)
Interdistrict payments and other	189,643,391	4,973,997	44,304,428	(140,364,966)
Total primary government - Governmental activities:	\$ 261,093,215	\$ 10,225,400	\$ 60,601,751	(190,266,064)
General revenues:				
Property taxes levied for general education purposes				11,610,140
Property taxes levied for special education purposes				147,552,532
Property taxes levied for vocational education purposes				36,117,215
Federal and state aid not restricted to specific purposes				7,066,171
Investment earnings				5,014,376
Other revenues				88,184
Total general revenues				207,448,618
Change in Net Assets				17,182,554
Net Assets - beginning of year				97,306,502
Net Assets - end of year				\$ 114,489,056

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Balance Sheet
Governmental Funds
June 30, 2006

Assets	General Fund	Special Education Fund	Vocational Education Fund	CFE Campus Renovations Capital Projects	Nonmajor Governmental funds	Total Governmental funds
Cash and cash equivalents (Note 3)	\$ 10,645,922	\$ 20,324,324	\$ 21,887,473	\$ 15,782,172	\$ 664,054	\$ 69,303,945
Receivables (Note 4)	2,606,713	12,176,718	2,821,614	—	69	17,605,114
Due from other funds (Note 6)	2,321,274	—	4,747	—	—	2,326,021
Inventories	106,879	7,500	—	—	—	114,379
Deposits and prepaid expenditures	92,399	192,566	—	—	—	284,965
Total assets	\$ 15,773,187	\$ 32,701,108	\$ 24,713,834	\$ 15,782,172	\$ 664,123	\$ 89,634,424
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 903,485	\$ 11,463,065	\$ 2,236,780	\$ 205,761	\$ 11,746	\$ 14,820,837
Accrued payroll and related liabilities	248,535	509,499	1,309,323	—	—	2,067,357
Due to other funds (Note 6)	4,747	349,436	2,066,143	—	—	2,420,326
Deferred revenue	2,320,350	48,248	1,515,663	—	—	3,884,261
Total liabilities	3,477,117	12,370,248	7,127,909	205,761	11,746	23,192,781
Fund balances:						
Reserved for prepaid expenditures, inventories, and deposits	199,278	200,066	—	—	—	399,344
Reserved for debt service	—	—	—	—	2,722	2,722
Unreserved and designated (Note 8)	5,760,541	13,336,897	11,171,124	—	—	30,268,562
Unreserved and undesignated, reported in:						
General Fund	6,336,251	—	—	—	—	6,336,251
Special Revenue Funds	—	6,793,897	6,414,801	—	—	13,208,698
Capital Projects Funds	—	—	—	15,576,411	649,655	16,226,066
Total fund balances	12,296,070	20,330,860	17,585,925	15,576,411	652,377	66,441,643
Total liabilities and fund balances	\$ 15,773,187	\$ 32,701,108	\$ 24,713,834	\$ 15,782,172	\$ 664,123	\$ 89,634,424

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2006

Fund balance:

Total governmental funds	\$	66,441,643
--------------------------	----	------------

**Amounts reported for governmental activities in the statement
of net assets are different because:**

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported in
the governmental funds:

Governmental capital assets	\$	72,751,477	
Less accumulated depreciation		<u>(17,393,673)</u>	55,357,804

Other long-term assets not available to pay current
period expenditures, therefore deferred in the
governmental funds (GASB No. 33)

1,804,609

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the
governmental funds:

Bonds payable		<u>(9,115,000)</u>
---------------	--	--------------------

Net assets of governmental activities	\$	<u><u>114,489,056</u></u>
---------------------------------------	----	---------------------------

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2006

	General Fund	Special Education Fund	Vocational Education Fund	CPE Campus Renovations Capital Projects	Nonmajor governmental funds	Total governmental funds
Revenues:						
Local	\$ 23,002,336	\$ 152,134,756	\$ 38,766,631	\$ 275,983	\$ 34,923	\$ 214,214,629
State	5,612,970	5,939,807	1,610,789	—	—	13,163,566
Federal	1,062,508	43,966,939	4,063,518	—	—	49,092,965
Total revenues	29,677,814	202,041,502	44,440,938	275,983	34,923	276,471,160
Expenditures:						
Current:						
Instruction services	2,954	1,196,066	12,601,108	—	—	13,800,128
Support services:						
Pupil	129,741	7,164,096	1,612,537	—	—	8,906,374
Instructional staff	8,110,629	5,261,628	3,117,243	—	—	16,489,500
General administration	1,303,804	618,809	3,102,992	—	—	5,025,605
Business services	1,901,502	832,171	802,429	—	—	3,536,102
Operations and maintenance	888,402	805,648	3,230,168	—	—	4,924,218
Pupil transportation	216,980	26,361	107,819	—	—	351,160
Central	6,898,494	2,186,107	2,446,086	—	—	11,530,687
Community services	759,049	1,288,048	3,569,618	—	—	5,616,715
Interdistrict transfers and other	6,282,417	175,996,434	7,378,659	—	—	189,657,510
Debt service:						
Principal	—	—	—	—	905,000	905,000
Interest and other	—	—	—	—	320,453	320,453
Capital outlay	513,585	182,916	1,474,501	1,597,372	800,613	4,568,987
Total expenditures	27,007,557	195,558,284	39,443,160	1,597,372	2,026,066	265,632,439
Excess (deficiency) of revenues over expenditures	2,670,257	6,483,218	4,997,778	(1,321,389)	(1,991,143)	10,838,721
Other financing sources (uses):						
Transfers in (Note 6)	—	252,339	—	16,897,800	1,225,452	18,375,591
Transfers out (Note 6)	(946,746)	(139,353)	(17,037,153)	—	(252,339)	(18,375,591)
Total other financing sources (uses)	(946,746)	112,986	(17,037,153)	16,897,800	973,113	—
Net change in fund balances	1,723,511	6,596,204	(12,039,375)	15,576,411	(1,018,030)	10,838,721
Fund balances – Beginning of year	10,572,559	13,734,656	29,625,300	—	1,670,407	55,602,922
Fund balances – End of year	\$ 12,296,070	\$ 20,330,860	\$ 17,585,925	\$ 15,576,411	\$ 652,377	\$ 66,441,643

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2006

Change in fund balances:

Total governmental funds	\$	10,838,721
--------------------------	----	------------

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives:

Capitalized capital outlay	\$	4,821,532	
Less current year depreciation		<u>(2,811,688)</u>	2,009,844

Revenue is reported in the statement of activities at the
time it is earned, without regard to timeliness of
collection

1,804,609

Compensated absence liability not previously recorded in the
Internal Service Fund

1,624,380

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities

905,000

Change in net assets of governmental activities

\$ 17,182,554

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS
Proprietary Fund - Internal Service Fund
Statement of Net Assets
Year ended June 30, 2006

Assets

Cash and cash equivalents (Note 3)	\$ 1,794,661
Due from other funds (Note 6)	<u>288,723</u>

Total assets	2,083,384
--------------	-----------

Liabilities

Accrued benefits (Note 7)	1,718,806
Provision for uninsured losses and liabilities	170,160
Due to other funds (Note 6)	<u>194,418</u>

Total liabilities	<u>2,083,384</u>
-------------------	------------------

Net Assets - Unrestricted

\$	<u><u>—</u></u>
----	-----------------

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS
Proprietary Fund - Internal Service Fund
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Year ended June 30, 2006

Operating Revenue:	
Charges to other funds	\$ 1,718,806
Other	<u>170,160</u>
Total operating revenue	1,888,966
Operating Expenses - Claims, reinsurance, and administrative fees	
Severance/Compensated Absence	<u>1,888,966</u>
Total operating expenses	<u>1,888,966</u>
Operating Income	-
Change in Net Assets	-
Net Assets - Beginning of year	<u>-</u>
Net Assets - End of year	<u>\$ -</u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS
Proprietary Fund - Internal Service Fund
Statement of Cash Flows
Year ended June 30, 2006

Cash Flows from Operating Activities:	
Receipts from other funds and other	\$ 1,888,966
Claims paid	<u>(94,305)</u>
Net cash provided by operating activities	1,794,661
 Cash Flows from Investing Activities - Interest received on investments	 <u>-</u>
Net Increase in Cash and Cash Equivalents	1,794,661
 Cash and Cash Equivalents - Beginning of year	 <u>-</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,794,661</u>
 Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating Income	\$ -
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:	
Due from other funds	(288,723)
Due to other funds	194,418
Accrued benefits	1,718,806
Provision for uninsured losses	<u>170,160</u>
Net cash provided by operating activities	<u>\$ 1,794,661</u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 555,845
Accounts receivable	<u>14,938</u>
Total assets	<u><u>\$ 570,783</u></u>
Liabilities:	
Due to Nippondenso Foundation	\$ 262,131
Due to students and other	<u>308,652</u>
Total liabilities	<u><u>\$ 570,783</u></u>

The Notes to Basic Financial Statements are an Integral Part of this Statement.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(1) Reporting Entity

Oakland County elected its first County Commissioner of Schools in 1923. The Commissioner had oversight of 175 districts in the County of Oakland. In 1941, the residents of the County, under the authority of Public Act (P.A.) 117 of 1935, elected its first County School Board. On March 28, 1963, the County District became a Public Corporation under P.A. 190 of 1962, formally establishing the Oakland Intermediate School District ("Oakland Schools"). Oakland Schools (the "District") provides direct special educational and vocational educational services at several sites throughout the County. The District is responsible for compliance monitoring, professional development, grant management, a wide array of reporting functions, and many more support services for its constituent districts. The District is not included in any other governmental "reporting entity," since the District's Board of Education members are elected by local school boards and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. This report includes all activities of the District and all activities considered to be controlled by the Board of Education.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining which various governmental organizations are a part of the District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

(2) Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The District follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant accounting policies used by the District:

(a) Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the District, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the District. This statement aggregates all the governmental activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund - The General Fund is used to account for the general operations of the District pertaining to support services and those operations not provided for in another fund.

Special Education Fund - The Special Education Fund is used to account for all revenues and expenditures related to the District's operation of special education programs, including transfers to its constituent districts for the operation of local special education programs.

Vocational Education Fund - The Vocational Education Fund is used to account for all revenues and expenditures related to the District's operation of vocational education programs, including transfers to its constituent districts for the operation of local vocational education center programs.

CFE Campus Renovations Capital Projects Fund - The CFE Campus Renovations Capital Project Fund was established for Vocational Education Campus Renovation projects. This fund is utilized to record transactions associated with capital asset acquisition, renovation or improvement. The funds used to accomplish the purpose of the Fund for fiscal year 2006 arose from operating transfers from the Vocational Education Fund.

Additionally, the District reports the following fund types:

Capital Projects Funds - Capital Projects Funds are established for General, Special Education, Vocational Education, and AMS Technology projects. Each of these funds is utilized to record transactions associated with capital asset acquisition, renovation or improvement. The funds used to accomplish the purpose of the respective Fund arose from operating transfers from the General, Special Education and Vocational Education Funds in previous years. The AMS Technology Capital Project Fund is used to record transactions associated with the bond proceeds and associated expenditures related to the acquisition and installation of the AMS technology system.

Debt Service Funds - The 2003 and 2004 Bond Debt Service Funds are used to record transfers from the General, Special Education and Vocational Education Funds in order to pay debt principal and interest on outstanding bond obligations.

Internal Service Fund. The Internal Service Fund accounts for certain employee-compensated absences provided to other funds of the District on a cost-reimbursement basis as well as providing a reserve for future insurance liabilities.

Fiduciary Fund Type. Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent. The District has various Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(b) Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timeliness of the related cash flow. Nonexchange transactions, in which the District gives (receives) value without directly receiving (or giving) equal value in exchange, include property taxes and certain forms of state aid. Revenue from grants is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

(c) Cash and Investments

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, which is determined by using quoted market rates.

(d) Property Tax Revenues

Real and personal properties are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 of the following year for the portion of the taxes that is due September 14, and December 1 for the remainder of the property taxes that are due on February 14. The final collection date is February 28, after which they are added to the County tax rolls. The available period for property tax revenue recognition in the governmental fund financial statements is limited to 60 days.

The delinquent real property taxes of the District are purchased by the County of Oakland. The County of Oakland, Michigan intends to sell tax notes, the proceeds of which will be used to pay the District for these property taxes. These taxes have been recorded as revenue for the current year.

(e) Inventories

Inventories consist primarily of instructional materials and are valued at cost, determined on the basis of average cost. Governmental fund-type inventories are recorded as expenditures when consumed.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(f) Prepaid Expenditures

Payments made for services that will benefit periods beyond June 30, 2006 are recorded as prepaid expenditures. Prepaid expenditures recorded in the governmental fund types do not reflect current appropriable resources, and thus, an equivalent portion of fund balance is reserved.

(g) Interfund Transactions

Interfund transactions consist mostly of transfers. Transfers are the flow of assets (such as cash) without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported as other financing uses in the funds making the transfer and as other financing sources in the funds receiving the transfer. These consist primarily of cash transferred to the various Capital Projects Funds to acquire or construct capital assets as well as funds transferred from the General, Special Education and Vocational Education Funds for payment of debt service.

(h) Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. The District's capitalization policy includes all items with a cost of \$5,000 or more and an estimated useful life of greater than one year. Additionally, the District capitalizes building improvements of \$50,000 or more. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally as follows:

Buildings	50 years
Building improvements	20 years
Equipment	10 years
Furniture and fixtures	7 to 10 years
Vehicles other than buses	7 years
Buses	10 years

(i) Compensated Absences

Unused vacation pay accumulates up to a maximum level until termination of employment. Upon termination of employment, the District pays out the employee's accumulated vacation days at their current per diem. Employees accumulate sick leave at a rate of 13 days per year. It is the policy of Oakland Schools that upon resignation or retirement, an employee shall be paid at separation for half of their unused accumulated sick leave at the rate of \$35.00 per day.

The liability for compensated absences reported in the proprietary and government-wide statements consists of unpaid, accumulated vacation and sick leave balances.

(j) Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(k) Eliminations

In preparing the basic financial statements, the District eliminates interfund assets and liabilities that would otherwise be reflected twice in the government-wide statement of net assets. Similarly, revenues and expenses related to inter-department activities are also eliminated from the government-wide statement of activities.

(l) Use of Estimates

Management of the District has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(3) Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated one bank for the deposit of its funds.

The investment policy adopted by the Board additionally requires the Investment Officer to obtain bids from at least two brokers or financial institutions on all purchases of investment instruments on the secondary market.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$84,457,277 had \$84,357,277 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business using the criteria established in the investment policy. The District does not have investments with custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District's investment policy adopted by the board minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the District's cash requirements.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy does not further limit its investment choices. At year end, the District held no commercial paper.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As the District currently holds only cash deposits, a discussion of the concentration of credit risk is not applicable.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the District's policy prohibit investment in foreign currency.

OAKLAND SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

(4) Receivables

Receivables as of year end for the District's individual major funds and the nonmajor funds are as follows:

	General Fund	Special Education Fund	Vocational Education Fund	Nonmajor Funds	Total
Property taxes	\$ 98,686	\$ 1,254,184	\$ 306,993	\$ -	\$ 1,659,863
Accounts	1,115,828	16,839	69,844	69	1,202,580
Intergovernmental	<u>1,392,199</u>	<u>10,905,695</u>	<u>2,444,777</u>	<u>-</u>	<u>14,742,671</u>
Total	<u>\$ 2,606,713</u>	<u>\$ 12,176,718</u>	<u>\$ 2,821,614</u>	<u>\$ 69</u>	<u>\$ 17,605,114</u>

All balances are considered fully collectible at June 30, 2006.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payment received prior to meeting all eligibility requirements	<u>\$ 1,804,609</u>	<u>\$ 2,079,652</u>

OAKLAND SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

(5) Capital Assets

A summary of changes in governmental capital assets follows:

	<u>Balance as of June 30, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance as of June 30, 2006</u>
Capital assets not depreciated:				
Land	\$ 3,992,143	\$ —	\$ —	\$ 3,992,143
Construction in progress	—	4,186,916	—	4,186,916
Subtotal	3,992,143	4,186,916		8,179,059
Capital assets depreciated:				
Buildings	29,950,799	153,754	—	30,104,553
Building improvements	14,721,377	—	(4,729)	14,716,648
Furniture and equipment	18,994,921	412,375	—	19,407,296
Vehicles other than buses	319,852	88,736	(64,667)	343,921
Subtotal	63,986,949	654,865	(69,396)	64,572,418
Less accumulated depreciation:				
Buildings	(2,371,633)	(609,882)	—	(2,981,515)
Building improvements	(2,783,076)	(661,469)	—	(3,444,545)
Furniture and equipment	(9,357,793)	(1,501,378)	—	(10,859,171)
Vehicles other than buses	(118,630)	(38,959)	49,147	(108,442)
	(14,631,132)	(2,811,688)	49,147	(17,393,673)
Total capital assets, net	\$ <u>53,347,960</u>	\$ <u>2,030,093</u>	\$ <u>(20,249)</u>	\$ <u>55,357,804</u>

Depreciation expense for the fiscal year ended June 30, 2006 amounted to \$2,811,688 for governmental-type qualifying capital assets. Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

(6) Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due to	Fund Due from				Total
	General Fund	Special Education Fund	Vocational Education Fund	Internal Service Fund	
General Fund	\$ —	\$ 228,001	\$ 1,898,855	\$ 194,418	\$ 2,321,274
Vocational Education Fund	4,747	—	—	—	4,747
Internal Service Fund	—	121,435	167,288	—	288,723
Total	\$ <u>4,747</u>	\$ <u>349,436</u>	\$ <u>2,066,143</u>	\$ <u>194,418</u>	\$ <u>2,614,744</u>

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

Transfers to/from other funds at June 30, 2006 consist of the following:

\$946,746	From the General Fund to Debt Service Funds to provide resources for debt service
139,353	From the Special Education Fund to the Debt Service Fund to provide resources for debt service
252,339	From the Capital Projects Fund to the Special Education Fund to represent the return of previous transfers to the Capital Projects Fund by the Special Education Fund
139,353	From the Vocational Education Fund to the Debt Service Fund to provide resources for debt service
16,897,800	From the Vocational Education Fund to the Capital Projects Fund to provide resources for capital projects
<u>\$18,375,591</u>	

(7) Long-term Obligations

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. The provision for uninsured losses and liabilities represents a reserve for future insurance obligations recorded in the District's Internal Service Fund. Other long-term obligations consist of compensated absences of unpaid, accumulated vacation and sick leave balances. These amounts are paid for by the Internal Service Fund and are funded by charges to the respective fund to which the eligible employee's compensation is charged. Long-term obligations of the District and changes therein for the year ended June 30, 2006 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$ 10,020,000	\$ -	\$ 905,000	\$ 9,115,000	\$ 930,000
Provision for uninsured losses and liabilities	-	170,160	-	170,160	-
Compensated absences	<u>1,624,380</u>	<u>207,271</u>	<u>112,845</u>	<u>1,718,806</u>	<u>171,881</u>
Total	<u>\$ 11,644,380</u>	<u>\$ 377,431</u>	<u>\$ 1,017,845</u>	<u>\$ 11,003,966</u>	<u>\$ 1,101,881</u>

OAKLAND SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

Annual debt service requirements to maturity for the above governmental bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 455,000	\$ 229,215	\$ 684,215
2008	485,000	220,115	705,115
2009	505,000	210,415	715,415
2010	530,000	199,053	729,053
2011	555,000	184,478	739,478
2012	580,000	167,828	747,828
2013	605,000	148,978	753,978
2014	630,000	129,315	759,315
2015	655,000	108,525	763,525
2016	685,000	85,600	770,600
2017	715,000	58,200	773,200
2018	740,000	29,600	769,600
	\$ 7,140,000	\$ 1,771,322	\$ 8,911,322

Governmental Activities

General obligation bonds consist of the following:

General Obligation Bonds

\$8,000,000 Limited Tax General Obligation Bonds, due in annual installments of \$455,000 to \$740,000 through May 1, 2018, interest at 2.00% to 4.00%	\$ 7,140,000
\$2,925,000 Limited Tax General Obligation Bonds, due in annual installments of \$475,000 to \$500,000 through May 1, 2010, interest at 3.25% to 3.625%	<u>1,975,000</u>
Total bonded debt	<u><u>\$ 9,115,000</u></u>

OAKLAND SCHOOLS
Notes to Basic Financial Statements
June 30, 2006

(8) Designated Fund Balances

Designated Fund Balances are as follows:

Designated for:

General Fund:

Collaborative Program Development Initiative: To create a principal preservation investment source to generate interest revenue to fund qualifying program initiatives under the CPDI guidelines	\$4,200,000
ONE Network capital fees: To identify unexpended and accumulated fees paid by the members/users of the network that are dedicated to the maintenance of the network per the contract	560,541
Student Assessment System Data Analysis Tool (SAS-DAT): To identify existing funding commitments	<u>1,000,000</u>
Total General Fund designations	<u><u>\$5,760,541</u></u>

Special Education Fund:

Center Program Facility Protocol: To identify funding that has been committed to future special education center program facility construction and renovations or repair per the protocol's guidelines	\$12,336,897
Start-Up/Extraordinary Contingency: To identify committed ISD funds to support potential new special education center program start-up costs or to fund unexpected extraordinary costs associated with special education programming in the LEAs	<u>1,000,000</u>
Total Special Education Fund designations	<u><u>\$13,336,897</u></u>

Vocational Education Fund:

LEA Portion - Original Levy Agreement: To identify the remaining ISD funding commitment between the ISD and the LEAs associated with the first three years of tax revenue generated by the passage of the 9/25/01 Vocational Education millage. The amount of the designation represents the net remaining revenues	\$8,521,124
Campus Renovations: To identify potential future funding requirements of the Career Focused Education Fund related to the Phase 2 renovations of the facilities currently being planned	<u>2,650,000</u>
Total Vocational Education Fund designations	<u><u>\$11,171,124</u></u>

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

(9) Defined Benefit Pension Plan and Postemployment Benefits

Plan Description

The District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy

Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 14.87 percent for the period from July 1, 2005 through September 30, 2005 and 16.34 percent from October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPERS plan for the years ended June 30, 2006, 2005, and 2004 were \$5,321,070, \$4,953,141, and \$4,375,425, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the District's total contribution to the MPERS plan discussed above.

(10) Risk Management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, employee medical benefits, workers' compensation and errors and omissions; the District is partially uninsured for unemployment and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

The District estimates the liability for unemployment and vision and dental that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2006</u>	<u>2005</u>
Estimated liability - Beginning of year	\$ 255,375	\$ 89,896
Estimated claims incurred - Including changes in estimates	757,810	1,082,124
Claim payments	826,156	916,645
Estimated liability - End of year	\$ <u>187,029</u>	\$ <u>255,375</u>

Vision and Dental - The self-insured vision and dental plans cover substantially all employees and their dependents. Claims are funded by the District and paid by the plan administrator, and average approximately \$130 and \$1,190, respectively, per eligible person per calendar year. The District pays all administrative costs of the plan. Total costs for such benefits were approximately \$739,000 for the year ended June 30, 2006.

Unemployment - The District is self-insured for unemployment expenses. Claims are funded by the District and paid by the plan administrator. The District incurred approximately \$87,000 in unemployment expense for fiscal year 2006.

Workers' Compensation - The District provides a workers' compensation plan that covers all employees. The premiums are paid for by the District. During 2006, the premiums amounted to approximately \$173,000.

Medical - The District provides medical insurance with certain co-pay features to substantially all employees. Some plans require that the employee pay a portion of the premium. During 2006, the premiums paid by the District amounted to approximately \$6,285,000.

Property and General Liability - The District is exposed to various risks of loss related to property loss and employee injuries. The District has purchased insurance to cover losses to its buildings and contents in the amount of approximately \$122 million. The District has a fleet of 14 vans and one bus, which have liability coverage of \$8 million. The District also has \$8 million in general liability insurance.

OAKLAND SCHOOLS

Notes to Basic Financial Statements

June 30, 2006

There has not been a significant reduction in insurance coverage in the current year and settlements have not exceeded coverage for each of the past three years for the risk management liabilities.

Provision for uninsured losses and liabilities - The District has established a reserve in the Internal Service Fund for future uninsured losses and liabilities which may occur over time.

(11) Commitments and Contingencies

All funded projects established by the District under federal, state, and local programs of education are subject to audit by the funding agency. No provision has been established in the financial statements for disallowed costs, if any, which might occur as a result of an audit by a funding agency. Any disallowed costs would become a liability of the District; however, any such liability, in the opinion of management, is expected to be immaterial.

The District has committed to provide facility renovations at two special education centers. Estimated funding commitments of \$7,338,900 have been established for this project. As of June 30, 2006, no amounts have been expended on this project.

The District has also committed to complete significant vocational education campus renovations with an estimated total project cost of \$63,180,000. The District intends to fund this project through vocational education funds and a bond issue. As of June 30, 2006, approximately \$1,600,000 has been expended on this project.

Required Supplemental Information

OAKLAND SCHOOLS
 Budgetary Comparison Schedule
 General Fund
 Year ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget – positive (negative)</u>
Revenues:				
Local	\$ 17,682,262	\$ 21,728,462	\$ 23,002,336	\$ 1,273,874
State	5,917,074	5,898,874	5,612,970	(285,904)
Federal	1,886,489	2,526,489	1,062,508	(1,463,981)
Total revenues	<u>25,485,825</u>	<u>30,153,825</u>	<u>29,677,814</u>	<u>(476,011)</u>
Expenditures - Current:				
Instruction	120,000	20,000	2,954	17,046
Support services:				
Pupil	108,400	116,900	129,741	(12,841)
Instructional staff	9,585,560	9,347,360	8,117,130	1,230,230
General administration	1,540,293	1,405,693	1,340,617	65,076
Business services	1,932,760	2,049,060	1,982,657	66,403
Operations and maintenance	1,185,500	1,065,000	933,302	131,698
Pupil transportation	241,900	265,300	216,980	48,320
Central	7,668,553	7,840,753	7,242,710	598,043
Community services	1,279,295	1,279,295	759,049	520,246
Interdistrict transfers	5,669,664	8,378,964	7,229,163	1,149,801
Total expenditures and other uses	<u>29,331,925</u>	<u>31,768,325</u>	<u>27,954,303</u>	<u>3,814,022</u>
Net Change in Fund Balance	(3,846,100)	(1,614,500)	1,723,511	3,338,011
Fund Balance – Beginning of year	<u>10,572,559</u>	<u>10,572,559</u>	<u>10,572,559</u>	<u>—</u>
Fund Balance – End of year	<u>\$ 6,726,459</u>	<u>\$ 8,958,059</u>	<u>\$ 12,296,070</u>	<u>\$ 3,338,011</u>

See accompanying note to the required supplementary information.

OAKLAND SCHOOLS
 Budgetary Comparison Schedule
 Special Education Fund
 Year ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget – positive (negative)</u>
Revenues:				
Local	\$ 148,222,000	\$ 149,622,700	\$ 152,134,756	\$ 2,512,056
State	6,337,700	6,214,000	5,939,807	(274,193)
Federal	49,424,599	49,424,599	43,966,939	(5,457,660)
Incoming transfers	—	246,100	252,339	6,239
Total revenues	<u>203,984,299</u>	<u>205,507,399</u>	<u>202,293,841</u>	<u>(3,213,558)</u>
Expenditures - Current				
Instruction	1,250,635	1,097,535	1,196,066	(98,531)
Support services:				
Pupil	7,603,527	7,674,727	7,164,096	510,631
Instructional staff	6,526,803	6,453,203	5,263,574	1,189,629
General administration	562,377	664,677	618,809	45,868
Business services	944,651	941,051	845,549	95,502
Operations and maintenance	1,399,300	1,372,000	811,155	560,845
Pupil transportation	30,000	31,700	26,361	5,339
Central	2,441,857	2,591,857	2,348,192	243,665
Community services	3,401,717	3,401,717	1,288,048	2,113,669
Interdistrict transfers and other	177,936,232	185,306,532	176,135,787	9,170,745
Total expenditures and other uses	<u>202,097,099</u>	<u>209,534,999</u>	<u>195,697,637</u>	<u>13,837,362</u>
Net Change in Fund Balance	1,887,200	(4,027,600)	6,596,204	10,623,804
Fund Balance – Beginning of year	<u>13,734,656</u>	<u>13,734,656</u>	<u>13,734,656</u>	<u>—</u>
Fund Balance – End of year	<u>\$ 15,621,856</u>	<u>\$ 9,707,056</u>	<u>\$ 20,330,860</u>	<u>\$ 10,623,804</u>

See accompanying note to the required supplementary information.

OAKLAND SCHOOLS
 Budgetary Comparison Schedule
 Vocational Education Fund
 Year ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with final budget – positive (negative)</u>
Revenues:				
Local	\$ 37,096,512	\$ 37,646,312	\$ 38,766,631	\$ 1,120,319
State	1,480,731	1,378,831	1,610,789	231,958
Federal	6,115,435	6,115,435	4,063,518	(2,051,917)
Total revenues	<u>44,692,678</u>	<u>45,140,578</u>	<u>44,440,938</u>	<u>(699,640)</u>
Expenditures - Current				
Instruction	14,134,600	14,034,500	12,674,371	1,360,129
Support services:				
Pupil	1,738,300	1,791,900	1,612,537	179,363
Instructional staff	5,923,703	6,138,003	3,123,443	3,014,560
General administration	2,932,400	3,107,500	3,102,992	4,508
Business services	876,400	871,700	811,348	60,352
Operations and maintenance	7,170,481	5,528,081	4,353,871	1,174,210
Pupil transportation	212,900	212,900	107,819	105,081
Central	2,633,600	2,902,100	2,515,476	386,624
Community services	4,450,247	4,450,247	3,762,644	687,603
Interdistrict transfers and other	3,377,047	25,879,147	24,415,812	1,463,335
Total expenditures and other uses	<u>43,449,678</u>	<u>64,916,078</u>	<u>56,480,313</u>	<u>8,435,765</u>
Net Change in Fund Balance	1,243,000	(19,775,500)	(12,039,375)	7,736,125
Fund Balance – Beginning of year	<u>29,625,300</u>	<u>29,625,300</u>	<u>29,625,300</u>	<u>—</u>
Fund Balance – End of year	<u>\$ 30,868,300</u>	<u>\$ 9,849,800</u>	<u>\$ 17,585,925</u>	<u>\$ 7,736,125</u>

See accompanying notes to the required supplementary information.

OAKLAND SCHOOLS

Note to the Required Supplemental Information

June 30, 2006

Budget Process

Budgets and budgetary accounting are prepared on the modified accrual basis, which is consistent with generally accepted accounting principles. The budget is legally adopted by the Board of Education prior to June 30. Annual appropriation budgets are adopted for the General and Special Revenue Funds. Budgets shown in the financial statements were presented on the same modified accrual basis that is used to reflect actual results. Appropriations lapse at the end of the year. The Board of Education does not adopt a budget for funded projects within the General and Special Revenue Funds. Project-length financial plans are adopted for such projects and therefore original and final budget amounts for funded projects are presented at the same value as the actual results. Project-length financial plans are adopted for the Capital Projects Funds. Budget and actual comparisons for these funds are not reported in the financial statements because an annual budget is not prepared.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is at the total level. Management may amend the line-item budgets, with the legally adopted level of control, with the board's approval. The Board of Education has established the legal level of control at the total expenditure level as presented in the financial statements. The Board of Education is authorized to make amendments to the budget as deemed necessary. During the year, the budget was amended in a legally permissible manner, under the provisions of Public Act 621.

The required supplemental information - budgetary comparison schedules are presented on the same basis of accounting used to prepare the budget, which include certain items having classifications that differ from the combined statement of revenue, expenditures, and changes in fund balances.

Other Supplemental Information

OAKLAND SCHOOLS

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Assets						
	General Fund Capital Projects Fund	Vocational Education Capital Projects Fund	Special Education Capital Projects Fund	AMS Technology Capital Projects Fund	2003 Bond Debt Service Fund	AMS Bond Technology Debt Service Fund	Total nonmajor governmental funds
Cash and cash equivalents	\$ 124,613	\$ 10,658	\$ 175,103	\$ 350,958	\$ —	\$ 2,722	\$ 664,054
Accounts Receivable	69	—	—	—	—	—	69
Total assets	\$ 124,682	\$ 10,658	\$ 175,103	\$ 350,958	\$ —	\$ 2,722	\$ 664,123
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 11,746	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 11,746
Fund balances:							
Reserved for debt service	—	—	—	—	—	2,722	2,722
Unreserved, reported in:							
Capital Projects Funds	112,936	10,658	175,103	350,958	—	—	649,655
Total fund balances	112,936	10,658	175,103	350,958	—	2,722	652,377
Total liabilities and fund balances	\$ 124,682	\$ 10,658	\$ 175,103	\$ 350,958	\$ —	\$ 2,722	\$ 664,123

See accompanying independent auditor's report.

OAKLAND SCHOOLS

Other Supplemental Information

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2006

	General Fund Capital Projects Fund	Vocational Education Capital Projects Fund	Special Education Capital Projects Fund	AMS Technology Capital Projects Fund	2003 Bond Debt Service Fund	AMS Bond Technology Debt Service Fund	Total nonmajor governmental funds
Revenues – Investment income	\$ 18,241	\$ —	\$ 10,027	\$ 5,320	\$ —	\$ 1,335	\$ 34,923
Expenditures:							
Capital outlay	83,240	27,801	106,366	583,206	—	—	800,613
Bond principal	—	—	—	—	430,000	475,000	905,000
Bond interest and other	—	—	—	—	238,040	82,413	320,453
Total expenditures	83,240	27,801	106,366	583,206	668,040	557,413	2,026,066
Excess of expenditures over revenues	(64,999)	(27,801)	(96,339)	(577,886)	(668,040)	(556,078)	(1,991,143)
Other financing sources (uses):							
Transfers in	—	—	—	—	668,040	557,412	1,225,452
Transfers out	—	—	(252,339)	—	—	—	(252,339)
Net change in fund balances	(64,999)	(27,801)	(348,678)	(577,886)	—	1,334	(1,018,030)
Fund Balances – Beginning of year	177,935	38,459	523,781	928,844	—	1,388	1,670,407
Fund Balances – End of year	\$ 112,936	\$ 10,658	\$ 175,103	\$ 350,958	\$ —	\$ 2,722	\$ 652,377

See accompanying independent auditors' report.

OAKLAND SCHOOLS
Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2006

<u>June 30</u>	2003-2004 General Bonds <u>Principal</u>	2004-2005 General Bonds <u>Principal</u>
2007	\$ 455,000	\$ 475,000
2008	485,000	500,000
2009	505,000	500,000
2010	530,000	500,000
2011	555,000	-
2012-2016	3,155,000	-
2017-2018	1,455,000	-
	<u>\$ 7,140,000</u>	<u>\$ 1,975,000</u>
Principal payments due	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1
Interest rate	2.00% to 4.00%	3.25% to 3.625%
Original issue	<u>\$ 8,000,000</u>	<u>\$ 2,925,000</u>

Oakland Schools
Net Assets by Component - Governmental Activities (Unaudited)

	June 30			
	2003	2004	2005	2006
Invested in capital assets - Net of related debt	\$ 49,225,138	\$ 47,457,111	\$ 43,327,960	\$ 46,242,804
Restricted	48,031,489	38,326,398	44,309,712	55,709,484
Unrestricted	<u>5,471,175</u>	<u>6,154,526</u>	<u>9,668,830</u>	<u>12,536,768</u>
 Total primary government net assets	 <u>\$ 102,727,802</u>	 <u>\$ 91,938,035</u>	 <u>\$ 97,306,502</u>	 <u>\$ 114,489,056</u>

Note: Net assets prior to the 2003 fiscal year not available. The District implemented GASB #34 as of July 1

Oakland Schools
Changes in Governmental Net Assets (Unaudited)

	Year Ended June 30			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
Instruction	\$ 12,231,082	\$ 14,412,384	\$ 14,344,411	\$ 13,493,662
Support services	193,917,572	234,156,182	235,721,888	244,467,412
Interest on long-term debt	-	102,785	358,213	320,453
Depreciation (unallocated)	<u>1,947,630</u>	<u>2,563,984</u>	<u>2,807,599</u>	<u>2,811,688</u>
Total governmental activities	208,096,284	251,235,335	253,232,111	261,093,215
Program Revenue				
Charges for services	5,672,658	5,494,978	4,748,346	10,225,400
Operating grants and contributions	<u>43,102,667</u>	<u>48,610,670</u>	<u>57,941,511</u>	<u>60,601,751</u>
Total program revenue	<u>48,775,325</u>	<u>54,105,648</u>	<u>62,689,857</u>	<u>70,827,151</u>
Net Expenses	(159,320,959)	(197,129,687)	(190,542,254)	(190,266,064)
General Revenues				
Property taxes	173,175,345	179,061,300	187,449,495	195,279,887
Federal and state aid not restricted to specific purposes	5,161,107	4,904,530	6,087,771	7,066,171
Investment earnings	1,537,215	1,092,423	2,287,386	5,014,376
Other	<u>6,513,297</u>	<u>1,281,667</u>	<u>86,069</u>	<u>88,184</u>
Total general revenues	<u>186,386,964</u>	<u>186,339,920</u>	<u>195,910,721</u>	<u>207,448,618</u>
Change in Net Assets	<u>\$ 27,066,005</u>	<u>\$ (10,789,767)</u>	<u>\$ 5,368,467</u>	<u>\$ 17,182,554</u>

Note: Net Assets prior to the 2003 fiscal year not available. The District implemented GASB #34 as of July 1, 2002.

Oakland Schools

Fund Balances - Governmental Funds (Unaudited)

Last Ten Fiscal Years

	As of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund:										
Reserved	\$ 1,921,181	\$ 3,612,221	\$ 69,952	\$ 130,299	\$ 104,208	\$ 191,298	\$ 176,597	\$ 44,357	\$ 320,541	\$ 199,278
Unreserved	4,366,072	5,554,186	8,913,558	11,466,523	10,546,505	6,986,844	14,533,793	7,729,737	10,252,018	12,096,792
Total General Fund	\$ 6,287,253	\$ 9,166,407	\$ 8,983,510	\$ 11,596,822	\$ 10,650,713	\$ 7,178,142	\$ 14,710,390	\$ 7,774,094	\$ 10,572,559	\$ 12,296,070
All other governmental funds:										
Reserved	\$ 1,631,737	\$ 17,091,000	\$ 2,225	\$ 3,750	\$ 3,925	\$ 4,150	\$ 75,000	\$ 11,228	\$ 373,455	\$ 202,788
Unreserved - Reported in:										
Special Revenue Funds	17,883,872	14,452,315	34,909,816	25,921,566	25,016,678	34,836,070	43,998,826	35,557,580	42,987,889	37,716,719
Capital Project Funds	45,144	3,606,860	7,516,663	17,544,301	15,417,584	6,421,499	(3,546,235)	2,757,590	1,669,019	16,226,066
Total all other governmental funds	\$ 19,560,753	\$ 35,150,175	\$ 42,428,704	\$ 43,469,617	\$ 40,438,187	\$ 41,261,719	\$ 40,527,591	\$ 38,326,398	\$ 45,030,363	\$ 54,145,573

Oakland Schools
Changes in Fund Balances - Governmental Funds (Unaudited)
Last Ten Fiscal Years

	Year Ended									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenue										
Local	\$ 78,202,276	\$ 87,267,428	\$ 90,046,760	\$ 96,410,039	\$ 103,297,476	\$ 171,659,131	\$ 179,761,088	\$ 192,707,174	\$ 194,623,011	\$ 214,214,629
State	21,038,107	14,830,487	15,475,300	16,122,704	19,071,246	17,371,694	17,001,520	18,021,932	17,987,585	13,163,566
Federal	24,131,100	28,745,691	29,321,923	23,289,893	19,577,122	32,344,470	34,492,746	35,483,268	45,989,982	49,092,965
Total revenue	123,371,483	130,843,606	134,843,983	135,822,636	141,945,844	221,375,295	231,255,354	246,212,374	258,600,578	276,471,160
Expenditures										
Current:										
Instruction	12,709,645	14,059,601	16,983,128	19,018,478	34,881,291	30,980,425	29,200,962	36,367,343	14,344,411	13,800,128
Support services	98,889,936	92,615,135	107,857,506	110,095,960	99,838,467	175,346,988	176,715,176	217,263,579	234,383,921	246,037,871
Debt service:										
Principal	-	-	-	-	-	-	-	-	905,000	905,000
Interest and other	-	-	-	-	-	-	-	108,670	358,213	320,453
Capital outlay	1,956,765	1,098,069	2,187,717	2,333,973	11,497,080	17,696,921	25,478,301	9,749,781	2,031,603	4,568,987
Total expenditures	113,556,346	107,772,805	127,028,351	131,448,411	146,216,838	224,024,334	231,394,439	263,489,373	252,023,148	265,632,439
Excess of Revenue Over (Under) Expenditures	9,815,137	23,070,801	7,815,632	4,374,225	(4,270,994)	(2,649,039)	(139,085)	(17,276,999)	6,577,430	10,838,721
Other Financing Sources (Uses)										
Debt issuance	-	-	-	-	-	-	-	8,139,510	2,925,000	-
Proceeds from sale of capital assets	-	-	-	-	411,243	-	6,937,205	-	-	-
Transfers in	2,530,100	3,740,000	4,650,000	10,740,000	7,240,000	3,500,000	16,940,588	11,096,440	3,603,596	18,375,591
Transfers out	(3,954,596)	(8,342,225)	(5,370,000)	(11,460,000)	(7,240,000)	(3,500,000)	(16,940,588)	(11,096,440)	(3,603,596)	(18,375,591)
Total other financing sources (uses)	(1,424,496)	(4,602,225)	(720,000)	(720,000)	411,243	-	6,937,205	8,139,510	2,925,000	-
Net Change in Fund Balances	8,390,641	18,468,576	7,095,632	3,654,225	(3,859,751)	(2,649,039)	6,798,120	(9,137,489)	9,502,430	10,838,721
Fund Balances - Beginning of year	17,457,365	25,848,006	44,316,582	51,412,214	55,066,439	51,088,900	48,439,861	55,237,981	46,100,492	55,602,922
Residual Equity Transfer Out	-	-	-	-	(117,788)	-	-	-	-	-
Fund Balances - End of year	\$ 25,848,006	\$ 44,316,582	\$ 51,412,214	\$ 55,066,439	\$ 51,088,900	\$ 48,439,861	\$ 55,237,981	\$ 46,100,492	\$ 55,602,922	\$ 66,441,643

Source: Prior years' comprehensive annual financial reports

Oakland Schools

Assessed Value and Actual Value of Taxable Property (Unaudited)

Last Ten Fiscal Years

Levy Year	Fiscal Year	Tax Year	Real Property						Personal		Total Value
			Agricultural	Commercial	Industrial	Residential	Developmental	Total Real Property	Property		
1994	95/96	1995	\$ 108,675,710	\$ 5,592,954,781	\$ 1,942,547,612	\$ 21,613,745,658	\$ 129,893,740	\$ 29,387,817,501	\$ 3,180,551,339	\$ 32,568,368,840	
1995	96/97	1996	111,189,324	5,702,437,485	1,937,142,468	22,634,232,454	117,167,375	30,502,169,106	3,645,734,651	34,147,903,757	
1996	97/98	1997	105,605,521	5,983,437,191	2,043,135,751	23,821,366,461	116,245,866	32,069,790,790	4,243,862,255	36,313,653,045	
1997	98/99	1998	112,664,076	6,394,377,351	2,246,237,410	26,058,947,041	111,573,086	34,923,798,964	4,088,132,744	39,011,931,708	
1998	99/00	1999	85,583,890	6,846,528,524	2,410,932,618	27,769,387,734	123,573,246	37,236,006,012	4,520,015,264	41,756,021,276	
1999	00/01	2000	87,260,973	7,430,999,738	2,603,993,273	29,612,462,232	145,956,853	39,880,673,069	4,490,087,840	44,370,760,909	
2000	01/02	2001	89,222,460	7,964,898,466	2,803,602,553	31,986,147,909	147,029,338	42,990,900,726	4,665,829,152	47,656,729,878	
2001	02/03	2002	93,459,075	8,429,612,676	3,006,710,986	34,367,791,079	162,389,807	46,059,963,623	4,628,845,976	50,688,809,599	
2002	03/04	2003	90,445,363	8,844,705,777	3,259,170,159	36,359,626,588	142,482,136	48,696,430,023	4,483,455,987	53,179,886,010	
2003	04/05	2004	93,487,203	9,155,127,947	3,405,223,134	38,842,901,603	39,590,610	51,536,330,497	4,450,160,375	55,986,490,872	
2004	05/06	2005	95,736,900	9,591,582,791	3,553,642,970	41,437,282,259	10,330,050	54,688,574,970	4,174,265,170	58,862,840,140	
2005	06/07	2006	54,987,428	9,959,236,636	3,710,576,990	44,249,526,081	11,825,630	57,986,152,765	4,147,262,470	62,133,415,235	

Notes:

Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year Under Michigan law, the revenue base is Taxable Value.

Fiscal year 2006 information is not yet available.

Source: Prior years' Comprehensive Annual Financial Report Statistical Sections
Oakland County Equalization Report

Oakland Schools
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Tax Year	Fiscal Year Ending June 30	Oakland Schools					Oakland Community College		Huron-Clinton Authority		Public Transportation Authority	
		General Operating	Parks	Oakland Schools								
1995	1996	4.4805	0.2439	2.1294	1.6522	0.2236	0.3300					
1996	1997	4.3805	0.2439	2.1294	1.6522	0.2236	0.3300					
1997	1998	4.3505	0.2439	2.1294	1.6522	0.2236	0.3300					
1998	1999	4.1900	0.2429	2.1208	1.6456	0.2235	0.3300					
1999	2000	4.1900	0.2404	2.0998	1.6295	0.2218	0.3270					
2000	2001	4.1900	0.2376	2.0752	1.6109	0.2202	0.3236					
2001	2002	4.1900	0.2376	3.4526	1.5952	0.2186	0.3207					
2002	2003	4.1900	0.2453	3.4224	1.6090	0.2170	0.6000					
2003	2004	4.1900	0.2436	3.3991	1.5983	0.2161	0.5974					
2004	2005	4.1900	0.2422	3.3789	1.5889	0.2154	0.5962					

Fiscal year 2006 information is not yet available.

Source: Oakland County Apportionment of Local Tax Rates

Oakland Schools

Principal Property Tax payers (Unaudited)
Year Ended June 30, 2006

	2005	Rank	Percentage of Total	2004	Percentage of Total	1996 Taxable Value	Rank	Percentage of Total
	Taxable Value			Taxable Value				
General Motors Corporation	\$ 531,887,644	1	0.92	\$ 504,785,700	0.95	\$ 452,957,873	2	0.01
Detroit Edison Company	360,912,322	2	0.62	342,522,300	0.65	745,489,981	1	0.02
Twelve Oaks/Taubman, et al.	208,092,554	3	0.36	197,490,300	0.37	51,066,150	15	0.16
DaimlerChrysler Corporation	170,275,688	4	0.29	161,599,416	0.30	288,563,822	4	0.90
Consumers Power/Energy	158,406,697	5	0.27	150,335,200	0.28	336,616,845	3	0.01
Ford Motor Company	130,746,670	6	0.23	124,084,570	0.23	161,558,255	5	0.50
Town Centre Delaware, Inc.	125,084,204	7	0.22	118,710,631	0.22	-	-	-
Manufacturer's Hanover Bank	109,483,765	8	0.19	103,905,100	0.20	51,831,280	14	0.16
Ramco - Gershenson	98,783,163	9	0.17	93,749,740	0.18	67,435,080	10	0.21
W.R.C. Properties, Inc.	97,738,830	10	0.17	92,758,620	0.17	77,916,640	8	0.24
Electronic Data Systems Corp.	74,892,639	13	0.13	71,076,540	0.13	88,754,990	6	0.28
Prudential Insurance Co.	-	-	-	-	-	88,335,090	7	0.28
KMart Corporation	-	-	-	-	-	73,496,020	9	0.23

Source: Oakland County Equalization Division, Department of Management and Budget

Oakland Schools
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

Tax Year	Fiscal Year Ending June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
1996	1997	\$ 71,493,690	\$ 71,493,690	100	\$ -	\$ 71,493,690	100
1997	1998	76,021,014	76,021,014	100	-	76,021,014	100
1998	1999	81,096,640	81,096,640	100	-	81,096,640	100
1999	2000	83,982,880	83,982,880	100	-	83,982,880	100
2000	2001	88,222,976	88,222,976	100	-	88,222,976	100
2001	2002	163,855,089	163,855,089	100	-	163,855,089	100
2002	2003	169,987,001	169,987,001	100	-	169,987,001	100
2003	2004	176,695,009	176,695,009	100	-	176,695,009	100
2004	2005	183,899,926	183,899,926	100	-	183,899,926	100
2005	2006	193,696,884	193,696,884	100	-	193,696,884	100

Oakland Schools
Ratios of Outstanding Debt (Unaudited)
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Taxable Value	Net General Bonded Debt as a Percentage of Taxable Value	Total Debt as a Percentage of Taxable Value	Population	Total Debt per Capita
1996	\$ 3,400,000	\$ 32,069,790,790	0.01%	0.01%	1,167,082	\$ 3
1997	3,045,000	\$ 34,923,798,964	0.01%	0.01%	1,176,377	3
1998	-	\$ 37,236,006,012	0.00%	0.00%	1,182,206	-
1999	-	\$ 39,880,673,069	0.00%	0.00%	1,188,498	-
2000	-	\$ 42,990,900,726	0.00%	0.00%	1,196,614	-
2001	-	\$ 46,059,963,623	0.00%	0.00%	1,202,176	-
2002	-	\$ 48,696,430,023	0.00%	0.00%	1,202,962	-
2003	-	\$ 51,536,330,497	0.00%	0.00%	1,208,013	-
2004	8,000,000	\$ 54,688,574,970	0.01%	0.01%	1,212,181	7
2005	10,020,000	\$ 57,986,152,765	0.02%	0.02%	1,216,363	8

Fiscal year 2006 information is not yet available.

Oakland Schools
Direct and Overlapping Governmental Activities Debt (Unaudited)
Year Ended June 30, 2006

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Oakland County - Net of Self Supporting	\$ 88,083,265	0.0%	\$ -
Oakland County - Paid by Local Municipalities	213,349,667	0.0%	-
Cities, Villages and Townships	958,177,287	0.0%	-
Community Colleges	21,448,598	0.0%	-
Local School Districts	<u>2,831,913,502</u>	0.0%	<u>-</u>
Total overlapping debt	<u>\$4,112,972,319</u>		-
Direct District Debt:			
General Obligation Bonds			<u>10,020,000</u>
Total Direct and Overlapping Debt			<u>\$ 10,020,000</u>

Source: Oakland County Comprehensive Annual Financial Report, September 30, 2005

Oakland Schools
Legal Debt Margin (Unaudited)
Last Ten Fiscal Years

	Year Ended June 30									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Calculation of debt limit:										
Taxable value	\$ 35,744,953,983	\$ 38,925,681,816	\$ 43,056,834,284	\$ 47,872,532,700	\$ 52,437,365,830	\$ 57,469,711,595	\$ 62,829,530,442	\$ 67,085,441,782	\$ 70,296,996,641	\$ 70,296,996,641
1/9 of 1% of taxable value	39,716,616	43,250,758	47,840,927	53,191,703	58,263,740	63,855,235	69,810,589	74,539,380	78,107,774	78,107,774
Calculation of debt subject to limit:										
Net debt subject to limit	3,400,000	3,045,000	-	-	-	-	-	-	8,000,000	10,020,000
Legal debt margin	36,316,616	40,205,758	47,840,927	53,191,703	58,263,740	63,855,235	69,810,589	74,539,380	70,107,774	68,087,774
Net debt subject to limit as percent of debt limit	8.56%	7.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.24%	12.83%

Fiscal year 2006 information is not yet available.

Source: Oakland County Treasurer

Oakland Schools
Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Population</u>	<u>Total Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1995	1,155,687	\$ 41,117,004	\$ 35,578	3.8
1996	1,167,082	43,297,762	37,099	3.7
1997	1,176,377	45,246,145	38,462	3.2
1998	1,182,206	50,217,376	42,478	3.0
1999	1,188,498	52,357,495	44,053	2.9
2000	1,196,614	56,335,375	47,079	2.9
2001	1,202,176	57,026,820	47,436	4.4
2002	1,202,962	58,023,888	48,234	5.2
2003	1,208,013	60,992,510	50,490	5.5
2004	1,212,181	61,810,176	50,991	5.6
2005	1,216,363 **	*	*	*

* Information not available

** Estimated

Fiscal year 2005 and 2006 information is not yet available.

Source: Population and Personal Income Source: Bureau of Economic Analysis
Unemployment Rate Source: State of Michigan, Labor Market Information

Oakland Schools
Principal Employers
For the Current Year and Nine Prior Years

Taxpayer	2006 Employees	Percentage of total employment	1996 Employees	Percentage of total employment
1 General Motors Corp.	20,045	3%	26,700	4%
2 William Beaumont Hospital	11,745	1%	9,870	2%
3 Chrysler Group	10,267	1%	3,900	1%
4 EDS Corp.	7,300	1%	8,900	1%
5 U.S. Government	4,338	1%	-	-
6 SBC Communications Inc.	4,000	1%	1,300	-
7 U.S. Postal Service	3,929	1%	-	-
8 St. John Health	3,925	1%	-	-
9 Blue Cross Blue Shield of Michigan/ Blue Care Network	3,925	1%	2,550	-
10 Oakland County	3,691	-	-	-
Total Principal Employers	<u>73,165</u>		<u>53,220</u>	
Estimated Total Employment	<u>784,000</u>		<u>599,000</u>	

Source: Oakland County

Oakland Schools
Full-time Equivalent School District Employees (Unaudited)
Last Ten Years Ended June 30

Function/Program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government:											
Instruction	*	*	*	*	*	*	171.00	179.74	156.30	146.00	138.00
Support services	*	*	*	*	*	*	392.30	398.02	383.62	374.50	377.13
Community service	*	*	*	*	*	*	30.00	33.00	28.00	32.00	34.00
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593.30</u>	<u>610.76</u>	<u>567.92</u>	<u>552.50</u>	<u>549.13</u>

* Information not available due to computer system conversion

Source: School District human resource records

Oakland Schools
Operating Indicators (Unaudited)
Last Ten Years Ended June 30

Year	Enrollment	Operating Expenditures/ Uses	Cost per Pupil	Operating Revenues/ Sources	Revenue per Pupil	Total Teaching Staff
1996	188,024	*	*	*	*	*
1997	190,535	*	*	*	*	*
1998	192,398	\$ 265,632,439	\$ 1,381	\$130,843,606	\$ 680	*
1999	196,640	252,023,148	1,282	134,843,983	686	*
2000	197,396	263,489,373	1,335	135,822,636	688	*
2001	199,596	231,394,439	1,159	141,945,844	711	*
2002	203,721	224,024,334	1,100	221,375,295	1,087	171.00
2003	203,349	208,096,284	1,023	235,162,289	1,156	179.74
2004	203,324	251,235,335	1,236	240,445,568	1,183	156.30
2005	204,658	253,232,111	1,237	258,600,578	1,264	146.00
2006	*	261,093,215	*	278,275,769	*	138.00

* Information not available

Source: Prior year District Financial reports.

Oakland Schools

Capital Asset Information (Unaudited)
Last Ten Fiscal Years Ended June 30

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Vocational education buildings owned and operated:										
Number of buildings	-	-	-	-	1	1	1	1	1	1
Square footage	-	-	-	-	77,000	77,000	77,000	77,000	77,000	77,000
Capacity	-	-	-	-	764	764	764	764	764	764
Special education buildings owned:										
Number of buildings	-	-	-	-	-	-	1	1	1	1
Square footage	-	-	-	-	-	-	19,317	19,317	19,317	19,317
Other buildings owned:										
Number of buildings	1	1	1	1	1	1	1	1	1	1
Square footage	101,000	101,000	101,000	101,000	101,000	101,000	133,238	133,238	133,238	133,238

Source: District internal records

Oakland Schools

**Federal Awards
Supplemental Information
June 30, 2006**

Oakland Schools

Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6-15
Schedule of Expenditures of Federal Awards Provided to Subrecipients	16-22
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs	25-26



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Board of Education
Oakland Schools

We have audited the financial statements that collectively comprise Oakland Schools' basic financial statements for the year ended June 30, 2006 and have issued our report thereon dated September 26, 2006. Those basic financial statements are the responsibility of the management of Oakland Schools. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oakland Schools' basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, schedule of expenditures of federal awards provided to subrecipients, and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 26, 2006

A member of



A worldwide association of independent accounting firms



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plante Moran.com

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

To the Board of Education
Oakland Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise Oakland Schools' basic financial statements as of and for the year ended June 30, 2006 and have issued our report thereon dated September 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oakland Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakland Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Oakland Schools in a separate letter dated September 26, 2006.

A member of



A worldwide association of independent accounting firms

To the Board of Education
Oakland Schools

This report is intended solely for the information and use of the finance committee, board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moren, PLLC

September 26, 2006

Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133

To the Board of Education
Oakland Schools

Compliance

We have audited the compliance of Oakland Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The major federal programs of Oakland Schools are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oakland Schools' management. Our responsibility is to express an opinion on Oakland Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oakland Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oakland Schools' compliance with those requirements.

In our opinion, Oakland Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

To the Board of Education
Oakland Schools

Internal Control Over Compliance

The management of Oakland Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oakland Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

September 26, 2006

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Clusters:			
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Michigan Family Independence Agency - Medicaid:	93.778		
Pupil transportation		\$ 246,278	\$ -
Administrative outreach		712,296	-
Total Medicaid Cluster		958,574	-
Special Education Cluster - U.S. Department of Education: Passed through the Michigan Department of Education:			
IDEA:	84.027		
Project number 040450-0304		29,400,935	29,400,936
Project number 050450-0405		34,859,825	23,842,102
Project number 050490-CB		319,988	319,988
Project number 050490-TS		78,052	78,052
Project number 060490-TS		115,000	-
Project number 060450-0506		36,320,310	-
Project number 050480-TMT		32,992	32,992
Project number 60480-EOSD		70,000	-
Total IDEA		101,197,102	53,674,070
Preschool Incentive:	84.173		
Project number 040460-0304		1,374,688	1,374,688
Project number 050460-0405		1,394,103	1,115,092
Project number 060460-0506		1,369,616	-
Total Preschool Incentive		4,138,407	2,489,780
Passed through the Macomb ISD - MI Integrated Behavior and Learning:	84.027A		
Project number 2004/05		6,500	1,128
Project number 2005/06		5,000	-
Total MI Integrated Behavior and Learning		11,500	1,128
Total Special Education Cluster		105,347,009	56,164,978

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006

Accrued (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
\$ -	\$ -	\$ 246,278	\$ 246,278	\$ -
-	-	712,296	712,296	-
-	-	958,574	958,574	-
2,309,168	-	2,306,877	(2,291)	-
2,798,853	-	11,460,989	10,931,677	2,269,541
152,016	-	152,016	-	-
15,162	-	15,162	-	-
-	-	57,570	114,997	57,427
-	-	23,829,226	30,908,474	7,079,248
32,992	-	32,992	-	-
-	-	70,000	70,000	-
5,308,191	-	37,924,832	42,022,857	9,406,216
44,906	-	44,906	-	-
171,171	-	427,140	273,159	17,190
-	-	951,874	1,195,432	243,558
216,077	-	1,423,920	1,468,591	260,748
(5,372)	-	(3,688)	1,684	-
-	-	5,000	726	(4,274)
(5,372)	-	1,312	2,410	(4,274)
5,518,896	-	39,350,064	43,493,858	9,662,690

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Clusters (Continued):			
WIA Cluster - U.S. Department of Education - Michigan Department of Career Development:			
Title I Adult Worker 04/05	17.258	\$ 1,025,563	\$ 857,458
Title I Adult Worker 05/06		1,138,951	-
Title I Dislocated Worker 04/05	17.260	849,387	632,667
Title I Dislocated Worker 05/06		987,160	-
Title I Youth 04/05	17.259	1,135,207	1,054,667
Title I Youth 05/06		1,255,680	-
Total WIA Cluster		6,391,948	2,544,792
Employment Service Cluster - U.S. Department of Labor - Passed through the Michigan Department of Career Development:			
Re-employment services 04/05	17.207	23,427	23,427
Re-employment services 05/06		28,288	-
Wagner-Peyser employment 04/05		356,330	287,691
Wagner-Peyser employment 05/06		465,248	-
Total Employment Service Cluster		873,293	311,118
Other federal awards:			
U.S. Department of Education:			
Passed through the Michigan Department of Education:			
Title I:	84.010		
Project number 041570-0405		39,590	8,745
Project number 051570-0506		40,000	-
Total Title I		79,590	8,745
Title II, Part A - Project number 060520-0506	84.367	271	-
Title II, Part B:	84.366		
Project number 042410/MSPF2004		200,000	200,000
Project number 052410/MSPF2004		598,638	20,940
Project number 052410/MSPF2005		51,307	-
Project number 062410/MSPF2005		698,748	-
Total Title II, Part B		1,548,693	220,940

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006

Accrued (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
\$ 236,148	\$ -	\$ 236,148	\$ -	\$ -
-	-	461,459	926,543	465,084
212,905	-	212,905	-	-
-	-	386,289	843,606	457,317
261,833	-	261,833	-	-
-	-	782,872	1,223,501	440,629
710,886	-	2,341,506	2,993,650	1,363,030
10,325	-	10,325	-	-
-	-	22,315	28,288	5,973
81,607	-	81,607	-	-
-	-	337,840	392,541	54,701
91,932	-	452,087	420,829	60,674
8,745	-	39,590	30,845	-
-	-	4,861	18,261	13,400
8,745	-	44,451	49,106	13,400
-	-	259	259	-
99,761	-	99,761	-	-
2,278	-	279,906	371,078	93,450
-	-	51,307	51,307	-
-	-	46,662	105,454	58,792
102,039	-	477,636	527,839	152,242

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Other federal awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the Michigan Department of Education (Continued):			
Title V:	84.298		
Project number 040250-0405		\$ 6,056	\$ 6,056
Project number 050250-0405		53,397	44,493
Project number 050250-0506		11,815	-
Project number 060250-0506		41,859	-
Total Title V		113,127	50,549
Reading First:	84.357		
Contract number 071B3001242		250,000	250,000
Contract number 071B3001242		250,000	-
Total Reading First		500,000	250,000
Infant and Toddler:	84.181		
Project number 041340-190		546,125	546,125
Project number 051340-190		555,121	462,295
Project number 061340-190		541,804	-
Total Infant and Toddler		1,643,050	1,008,420
McKinney Homeless Students:	84.196		
Project 052320-0405		99,500	92,808
Project 062320-0506		131,604	-
Total McKinney Homeless Students		231,104	92,808
Vocational Education - Basic Grants to States:	84.048		
Project number 053520-501218		1,669,243	1,669,243
Project number 063520-601218		1,565,208	-
Total Vocational Education		3,234,451	1,669,243
Total noncluster programs passed through the Michigan Department of Education		7,350,286	3,300,705

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006

Accrued (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
\$ 6,056	\$ -	\$ 6,056	\$ -	\$ -
4,546	-	13,450	8,904	-
-	-	2,465	5,653	3,188
-	-	28,855	31,465	2,610
10,602	-	50,826	46,022	5,798
145,848	-	145,848	-	-
-	-	81,009	236,572	155,563
145,848	-	226,857	236,572	155,563
945	-	945	-	-
100,980	-	169,051	92,826	24,755
-	-	313,761	428,502	114,741
101,925	-	483,757	521,328	139,496
5,695	-	12,387	6,692	-
-	-	52,076	61,956	9,880
5,695	-	64,463	68,648	9,880
715,252	-	715,252	-	-
-	-	989,770	1,565,208	575,438
715,252	-	1,705,022	1,565,208	575,438
1,090,106	-	3,053,271	3,014,982	1,051,817

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Other federal awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the University of Michigan Dearborn - Title II - Middle School Math Institute	84.336	\$ 37,500	\$ 32,242
Passed through the Center for Civic Education:			
Mich. Law - Center for Civic Ed 04/05	84.304	120,000	120,000
Mich. Law - Center for Civic Ed 05/06		140,000	16,774
Total CFDA 84-304		260,000	136,774
Mich. Law - Center for Civic Ed 04/05	84.929A	35,890	30,025
Mich. Law - Center for Civic Ed 05/06		35,890	-
Mich. Law - Center for Civic Ed 05/06		34,279	-
Mich. Law - Center for Civic Ed 05/06		77,390	-
Total CFDA 84.929A		183,449	30,025
Mich. Law - Center for Civic Ed 05/06	16.541	7,500	-
Total passed through the Center for Civic Education		450,949	166,799
Total U.S. Department of Education passed through sources other than the Michigan Department of Education		488,449	199,041
Total U.S. Department of Education		7,838,735	3,499,746
U.S. Department of Labor - Passed through the Michigan Department of Career Development:			
	17.Unknown		
Reed One Stop 04/05		77,000	56,179
Reed One Stop 05/06		70,000	-
WIA Incumbent Incentive 05/06		54,043	-
WIA Incumbent Statewide 05/06		75,418	-
Total U.S. Department of Labor		276,461	56,179
U.S. Department of Health and Human Services - Passed through the Michigan Department of Career Development:			
Work First TANF 04/05	93.558	232,490	177,212
Work First TANF 05/06		295,153	-
Work First Employment Related Supportive Services		25,000	-
Total U.S. Department of Health and Human Services		552,643	177,212

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006**

Accrued (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
\$ 11,242	\$ -	\$ 11,242	\$ -	\$ -
30,000	-	30,000	-	-
16,774	-	53,226	123,226	86,774
46,774	-	83,226	123,226	86,774
(5,865)	-	-	5,865	-
-	-	34,116	32,615	(1,501)
-	-	34,279	34,279	-
-	-	77,390	77,387	(3)
(5,865)	-	145,785	150,146	(1,504)
-	-	7,500	7,500	-
40,909	-	236,511	280,872	85,270
52,151	-	247,753	280,872	85,270
1,142,257	-	3,301,024	3,295,854	1,137,087
21,406	-	42,227	20,821	-
-	-	52,401	70,000	17,599
-	-	54,043	54,043	-
-	-	-	75,418	75,418
21,406	-	148,671	220,282	93,017
36,478	-	91,754	55,276	-
-	-	235,537	295,153	59,616
-	-	25,000	25,000	-
36,478	-	352,291	375,429	59,616

Oakland Schools

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Other federal awards (Continued):			
Passed through the Michigan Family Independence Agency:			
Title IVB Family Support 04/05	93.556	\$ 237,000	\$ 157,554
Title IVB Family Support 05/06		<u>50,000</u>	<u>39,222</u>
Total Title IVB Family Support		287,000	196,776
National Science Foundation - Passed through TERC Earth Science by Design:			
Earth Science by Design 04/05	47.076	10,000	9,622
Earth Science by Design 05/06		<u>10,000</u>	<u>-</u>
Total National Science Foundation		20,000	9,622
Homeland Security 05/06	97.004	<u>3,781</u>	<u>-</u>
Total federal awards		<u>\$ 122,549,444</u>	<u>\$ 62,960,423</u>

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006

Accrued (Deferred) Revenue at July 1, 2005	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
\$ 13,802 (1,016)	\$ - -	\$ 83,900 7,223	\$ 70,098 8,239	\$ - -
12,786	-	91,123	78,337	-
2,117	-	2,117	-	-
-	-	5,683	5,547	(136)
2,117	-	7,800	5,547	(136)
-	-	3,781	3,781	-
<u>\$7,536,758</u>	<u>\$ -</u>	<u>\$47,006,921</u>	<u>\$51,846,141</u>	<u>\$12,375,978</u>

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash
		Transferred to Subrecipient
Special Education - IDEA:		
Project number 040450-0304 - Passed through to - Avondale	84.027	\$ (2,291)
Project number 050450-0405 - Passed through to:	84.027	
Avondale		114,805
Berkley		381,698
Birmingham		368,899
Bloomfield		524,101
Brandon		203,180
Clarenceville		35,267
Clarkston		247,247
Clawson		41,246
Farmington		1,328,087
Ferndale		90,375
Hazel Park		175,646
Holly		201,056
Huron Valley		606,771
Lake Orion		326,149
Lamphere		127,428
Madison		97,454
Oak Park		221,677
Oxford		90,660
Pontiac		1,046,403
Rochester		513,582
Royal Oak		372,870
Southfield		863,813
Troy		592,544
Walled Lake		754,237
Waterford		322,503
Arts & Technology Academy		46,544

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash	
		Transferred to Subrecipient	
Special Education - IDEA (Continued):			
Project number 050450-0405 - Passed through to (Continued):	84.027		
Academy of Lathrup Village		\$	21,384
Academy of Michigan			29,333
Academy of Oak Park			54,475
Academy of Southfield			26,539
Academy of Waterford			5,587
Bradford Academy			18,158
Edison Oakland Academy			46,015
Great Lakes Academy			58,665
Nsorma (Oakland University)			13,968
Pontiac Academy of Excellence			1,767
Walton Charter Academy			33,253
Oakland Schools			928,291
Total project number 050450-0405			10,931,677
Project number 060450-0506 - Passed through to:	84.027		
Avondale			490,807
Berkley			578,790
Birmingham			1,150,515
Bloomfield			1,170,058
Brandon			626,548
Clarenceville			401,540
Clarkston			1,108,561
Clawson			265,409
Farmington			1,229,286
Ferndale			507,751
Hazel Park			1,055,357
Holly			1,054,083
Huron Valley			1,945,123
Lake Orion			1,265,921
Lamphere			367,768

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year
		Cash Transferred to Subrecipient
Special Education - IDEA (Continued):		
Project number 060450-0506 - Passed through to (Continued):	84.027	
Madison		\$ 456,180
Novi		902,396
Oak Park		448,218
Oxford		672,877
Pontiac		2,149,406
Rochester		2,058,074
Royal Oak		1,189,417
South Lyon		1,115,928
Southfield		1,244,921
Troy		987,787
Walled Lake		2,444,881
Waterford		1,705,688
West Bloomfield		1,067,765
Academy Of Michigan		6,525
Academy of Oak Park		68,428
Academy of Southfield		17,535
Academy of Waterford		22,925
Arts & Technology Academy		42,020
Bradford Academy		60,718
Edison Oakland Academy		85,008
Great Lakes Academy		51,074
Great Oaks Academy		12,233
Holly Academy		115,473
Laurus Academy		29,937
Life Skills of Pontiac		11,404
Nsorma (Oakland University)		30,481
Oakland International		4,277
Walton Charter Academy		58,449

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year
		Cash Transferred to Subrecipient
Special Education - IDEA (Continued):		
Project number 060450-0506 - Passed through to (Continued):	84.027	
Woodmont Academy		\$ 8,554
Oakland Schools		622,378
Total project number 060450-0506		30,908,474
Total IDEA passed through to subrecipients		41,837,860
Special Education - Preschool Incentive:		
Project number 050460-0405 - Passed through to:	84.173	
Avondale		5,018
Berkley		8,696
Birmingham		52,481
Bloomfield		18,401
Brandon		2,965
Clarkston		6,813
Farmington		10,324
Ferndale		2,671
Holly		3,613
Huron Valley		24,847
Lake Orion		3,715
Lamphere		5,736
Oak Park		12,841
Oxford		3,149
Pontiac		19,226
Rochester		10,982
Southfield		14,414
Troy		12,319
Walled Lake		29,147
Waterford		24,125
Arts & Technology Academy		558
Pontiac Academy of Excellence		1,118
Total project number 050460-0405		273,159

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash	
		Transferred to Subrecipient	
Special Education - Preschool Incentive (Continued):			
Project number 060460-0506 - Passed through to:	84.173		
Avondale		\$	23,495
Berkley			24,368
Birmingham			50,292
Bloomfield			50,358
Brandon			29,635
Clarenceville			16,615
Clarkston			40,672
Clawson			25,387
Farmington			77,886
Ferndale			22,153
Hazel Park			47,629
Holly			52,060
Huron Valley			92,493
Lake Orion			40,983
Madison			47,629
Novi			29,907
Oak Park			2,261
Oxford			22,153
Pontiac			30,328
Rochester			90,521
Royal Oak			75,874
South Lyon			33,580
Southfield			36,243
Troy			59,813
Walled Lake			76,930
Waterford			39,684
West Bloomfield			44,306
Bradford Academy			2,208
Great Oaks Academy			554
Holly Academy			5,539
Laurus Academy			1,661

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash Transferred to Subrecipient
Special Education - Preschool Incentive (Continued):		
Project number 060460-0506 - Passed through to (Continued):	84.173	
Pontiac Academy of Excellence		\$ 1,661
Woodmont Academy		554
Total project number 060460-0506		<u>1,195,432</u>
Total Preschool Incentive passed through to subrecipients		1,468,591
Infant/Toddler:		
Project number 051340-190 - Passed through to:	84.181	
Oakland Family Services		78,720
Oakland Schools		<u>14,106</u>
Total project number 051340-190		92,826
Project number 061340-190 - Passed through to:	84.181	
Oakland Family Services		177,468
Oakland Schools		<u>251,034</u>
Total project number 061340-190		<u>428,502</u>
Total Infant/Toddler passed through to subrecipients		521,328
Vocational Education - Project number 063520-601218 -		
Passed through to:	84.048	
Avondale		25,367
Berkley		11,041
Birmingham		81,090
Bloomfield		13,305
Brandon		41,134
Clarkston		49,732
Farmington		111,887
Ferndale		36,558

Oakland Schools

Schedule of Expenditures of Federal Awards Provided to Subrecipients (Continued) Year Ended June 30, 2006

Program Title/Project Number/Subrecipient Name	CFDA Number	Current Year Cash	
		Transferred to Subrecipient	
Vocational Education - Project number 063520-601218 - Passed through to (Continued):	84.048		
Hazel Park		\$	47,741
Holly			28,067
Huron Valley			90,529
Lake Orion			91,333
Lamphere			24,041
Madison			13,824
Novi			25,691
Oak Park			13,212
Oxford			87,002
Pontiac			41,721
Rochester			56,007
Royal Oak			84,795
Southfield			80,705
Troy			97,242
Walled Lake			79,798
Waterford			173,431
West Bloomfield			112,467
Oakland Schools			<u>47,488</u>
Total Vocational Education - Project number 063520-601218			<u>1,565,208</u>
Total federal awards passed through to subrecipients			<u>\$ 45,392,987</u>

Oakland Schools

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 49,092,965
Add federal revenue reported as state revenue	958,574
Add revenue not deferred on the schedule of federal awards	1,804,609
Other	<u>(10,007)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 51,846,141</u>

Oakland Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oakland Schools and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Grant Section Auditor's Report

Management has utilized the Form R-7120 in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Oakland Schools

Schedule of Findings and Questioned Costs Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
84.027, 84.027A, and 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,555,384 for Type A and \$155,538 for Type B

Auditee qualified as low-risk auditee? X Yes _____ No

Oakland Schools

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

September 26, 2006

Board of Education
Oakland Schools
2111 Pontiac Lake Road
Waterford, MI 48328

Dear Board Members:

We recently completed our audit of the financial statements of Oakland Schools for the year ended June 30, 2006. In connection with the audit, we offer the following informational items to you as the policy making body of the District.

Future MPSERS Contribution Rate

The State's retirement system has determined that effective October 1, 2006, the retirement rate will increase from 16.34 percent to 17.74 percent. This increase is due primarily to rising health care costs and general stock market conditions. The annual cost to the District of this 1.4 percentage point increase is approximately \$480,000, based on current salary levels at June 30, 2006.

Experts at the retirement system suggest that, without any significant change in the structure of retirement system benefits, it is likely that the retirement rates may continue to increase in the future. As a result, as the District plans for the future, we encourage the District to continue to factor in these potential increases within its budgeting process.

Internet Posting Rules for Intermediate School Districts

In addition to the special audit provisions recently enacted for Intermediate School Districts, new regulations have been enacted requiring ISD's to post certain transactional and financial information on the Internet. These items relate to compensation, travel expenses, contracts and many other items. The District is required to report this financial information related to the year ended June 30, 2006 on its website no later than December 31, 2006. The District Finance Department is in the process of creating reporting mechanisms to make the posting process efficient for the District and to insure compliance with these new rules.

Uniform Budgeting & Accounting Act

Over 25 years ago, the State enacted P.A. 621-The Uniform Budgeting & Accounting Act. This Act requires, among other things, that budgets be adopted for the general fund and special revenue funds (the District's Special Education and Vocational Education Funds meet this criteria). In addition, the Act requires that budgets be amended during the year if actual expenditures will exceed the amount budgeted. The penalty for failure to comply with this Act can be recovery of the "unauthorized" expenditures from district board members and administrators.

Recently, the Department of Education announced a program to monitor District compliance with P.A. 621. The Department will begin by reviewing the June 30, 2005 annual audited financial statements and identify any district or public school academy whose total expenditures exceed their budget by more than 1 percent. In addition, the same test will be applied to other financing sources

(uses). Districts in violation of the 1 percent test will receive letters from the Department of Education. These letters will be addressed to board members and the administration. In reviewing your June 30, 2005 and June 30, 2006 financial statements, the District is not in violation of P.A. 621 and should not receive any of these letters.

Obviously, as you go forward, it is strongly advised that the Board and Administration review the District's policies and procedures in this area in order to prevent violations. We should note that enforcement could become even more stringent if the Department were to adopt the same violation criteria for revenues - something they are considering. The key factor in all this new enforcement effort is an emphasis on the Board's responsibility to approve all expenditures via the budget process and avoid any deficit fund balance.

Accounting and Other Matters

Management Information System

For the year ended June 30, 2006, the District has been implementing a new management information system. As with any system conversion, challenges can be incurred related to reporting and accumulating data. During our audit procedures, we noted challenges on the part of Finance Department personnel in obtaining necessary audit information or reports from this new system.

We recommend the Finance Department work closely with the IT Department to continue to build their library of standard reports and continue to look for ways to standardize and save report formats to allow for easy replication of data in the future.

We are aware that the District is working closely with its IT Department to develop additional reports and options that will address these needs.

Finance Department Staffing Levels

The responsibilities for monitoring the financial activity of the District have continued to increase, particularly with the funding challenges facing all Michigan public schools based on the State's economy and increased reporting requirements at both the state and federal levels related to grants. In many instances, business offices spend more time monitoring and adjusting their budgets and creating projections for the future than ever before.

At the same time, the District's Finance Department has continued to receive an increasing number of requests from local Oakland County school districts for financial assistance, whether it be preparing for audits or filling temporary staffing needs at the local level.

We encourage the District to continue to monitor the staffing levels in the Finance Department to make sure the needs of local districts can be met timely, as well as having adequate resources to address the needs of the ISD for fiscal responsibility.

Federal Program Operations

Federal Program Subrecipient Monitoring

The District acts as the pass-through entity for many school districts and for many programs. One of the responsibilities of the District is to monitor the activities of the recipient districts to ensure local

districts are familiar with program regulations and that transactions charged to federal grants are in accordance with amounts budgeted and those allowable under the terms of the grant. The State is placing more reliance on pass-through agencies to perform monitoring visits and oversight responsibilities as they continue to scale back their staffing levels and can request evidence from pass-through agencies that these responsibilities are being fulfilled.

Each of the various program directors at the District have frequent contact with the local district program coordinators. We recommend the District consider a more formalized system for meeting with and documenting interactions with the local districts. We recommend that each program director document a schedule for monitoring visits of the local districts to ensure that all local districts participating in a particular grant are monitored at least once over a three-year period. Maintaining written documentation of meetings and monitoring visits will provide evidence of the District's oversight activities.

Upcoming Accounting Pronouncements

Over the next several years, the American Institute of Certified Public Accountants (AICPA) Audit Standards Board will be issuing ten new auditing pronouncements. These pronouncements will involve increased audit documentation, auditor communications with the Board of Education regarding the District's internal controls, along with enhanced internal control documentation and procedures required of the business office.

The pronouncements will, therefore, likely require additional time spent by the business office in preparing for future audits. We commend the District's efforts thus far at making internal control and documentation a priority.

At this point, the specific impact of these standards on our school district auditing process is being evaluated and we will continue to keep you apprised of the status of the auditing pronouncements as the implementation date draws closer. Once the changes are final, we will provide the School District with specific information on how the changes will affect the audit process.

We would once again like to thank the Board for the opportunity to serve as auditors for the District. We would also like to thank the entire business office for the assistance, consideration and courtesy extended to our staff during the course of our audit. If you have any questions regarding these or any other matters, please contact us.

Very truly yours,

PLANTE & MORAN, PLLC



Laura K. Claeys



Nathan A. Lewis